

# THE EURO: A STUMBLE AT THE START

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### Bank Deal Compromises Euro's Historic Debut

#### New Currency Appears Wedded to Politics

#### EU Leaders Yield to France on Split Term

By John Vinocur  
International Herald Tribune

BRUSSELS — As much as the leaders of the European Union wanted to launch their new monetary union into a high and confident orbit at a summit meeting here over the weekend, they failed to mark their enterprise with a sense of promise and momentum.

Instead, they brought doubt and the potential for discredit to the presidency of the new European Central Bank, the post that was meant to symbolize the euro's coming strength and its independence from political pressure. The new Europe of the single currency, with its ambitions to serve as a global rival to the dollar, wound up looking remarkably like the old one, with a dark trace of deals, dissembling and nationalism staining its first day out in the world.

In concocting an arrangement that will have Wim Duisenberg, the bank's first president, serving four years instead of the eight he insisted that the bank needed to guarantee its independence, the leaders chose a man who had effectively handed in his letter of resignation and mortgaged his own effectiveness before taking office. In agreeing to a political deal that he insisted he wanted despite having campaigned against it for months, Mr. Duisenberg not only strained credibility but raised questions about his ability to resist political pressure in the future.

But this tortuous episode went further. Mr. Duisenberg's shortened term and the designation of Jean-Claude Trichet,

governor of the Bank of France, as his successor for a full eight-year mandate after that seemed likely to heighten doubts in Germany about the euro's solidity and create fertile ground for the struggle between France and Germany about how much direct political influence should be exercised on the now potentially compromised independence of the central bank.

Chancellor Helmut Kohl, who had backed Mr. Duisenberg, was very clearly not the winner in an arena where his skills and experience had so often dominated. With his grip on power loosened at home by unfavorable poll projections for national elections in September, the summit meeting made Mr. Kohl appear palpably in decline and Germany less effective in controlling events within the EU.

Alongside this, there was the increased possibility of a loss of confidence in the international investment community that the single currency's strength would be guaranteed by Germany's preeminent position at the bank and within the European apparatus.

To the same extent, the success of President Jacques Chirac of France in getting Mr. Duisenberg's term limited and in creating a French-dominated future for the central bank was likely to support the idea that European monetary policy in coming years could reflect France's desire to keep the bank under a degree of political control — an idea rejected by the

By Barry James  
International Herald Tribune

BRUSSELS — The botched election of the head of the European Central Bank cast a shadow Sunday over the historic decision to weld 11 nations and nearly 300 million people into a single-currency zone to rival the United States in size and economic heft.

Many analysts said the shambling performance by heads of state and governments could affect the credibility of the bank, and an uncertain market reaction Monday awaited the European currencies that will form part of the new coinage, the euro.

At a summit meeting here, the government chiefs appointed Wim Duisenberg of the Netherlands to head the central bank, but with French-imposed conditions that brought into question the bank's freedom from political interference.

Mr. Duisenberg said he would step down halfway through his eight-year term to make way for Jean-Claude Trichet of France. He had not earlier said he would be willing to serve a truncated term, and there was no immediate explanation as to why he had changed his mind.

But it will be his name that appears on the new euro bank notes that will start going into circulation Jan. 1, 2002.

Some said the unseemly squabble over who would become Europe's equivalent to Alan Greenspan, the U.S. Federal Reserve Board chairman, would soon be forgotten as the new currency gathered steam.

"From the outside it may not appear a brilliant spectacle,

but in a few weeks no one will talk about how the decision was taken," Prime Minister Jean-Luc Dehaene of Belgium said.

It should have been a celebratory weekend of photo opportunities and speeches as the government leaders proclaimed 11 nations — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain — members of a single currency zone big enough to rival the United States. At the same time, finance ministers set the rates at which national currencies will be converted as they go into the currency union Jan. 1, 1999.

But instead of celebrations, a dispute between France and Germany over the bank's top job dragged on for more than 10 hours, into the early hours of Sunday, while other ministers twiddled their thumbs.

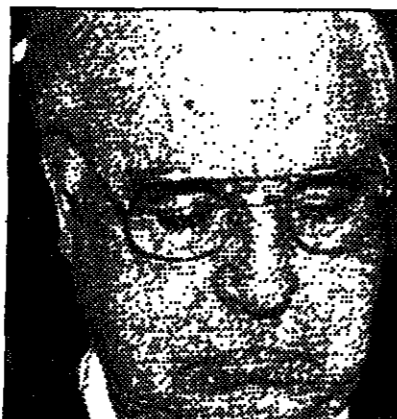
Prime Minister Tony Blair of Britain, the chairman of the meeting, summoned President Jacques Chirac of France and Chancellor Helmut Kohl of Germany into a private room in the search for a compromise.

A Dutch spokesman said the talks were tense. Mr. Blair's spokesman, Alistair Campbell, said they were "heart-pounding." Mr. Kohl said the talks were among "the most difficult hours of my experience."

Eventually, the leaders agreed on a Byzantine formula that: Appointed Mr. Duisenberg — the preferred candidate of every country except France — to the central bank presidency for a full term of eight years on the understanding that he

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Faces at the summit: Tony Blair of Britain, Helmut Kohl of Germany, Jacques Chirac of France and the bankers Wim Duisenberg of the Netherlands and Jean-Claude Trichet of France.

### Agreement Draws Scorn From Range Of Europeans

By John Schmid  
International Herald Tribune

FRANKFURT — Critics across Europe's political spectrum poured scorn Sunday on a compromise over the leadership of the new European Central Bank, charging that the weekend's overt deal-making violated the Maastricht treaty and "deforms" the European Union's single currency at its birth.

The most blistering attacks were directed at Chancellor Helmut Kohl of Germany. Political opponents at home joined business leaders in accusing him of caving in to French demands to split the eight-year term of the European Central Bank's first president between rival French- and German-backed candidates.

Germany's opposition Social Democratic Party cited a "breach" of the 1991 Maastricht treaty on European economic and monetary union, which stipulates an eight-year term as a condition of the independence of the bank and its directors.

Germany's already frail public trust in the euro, the single currency, was further weakened, the Social Democrats said. "It is bad for all those of us who have to defend the euro to people across the country," said Franz Muenterting, general manager for the Social Democrats.

The compromise invites other parties to violate the Maastricht treaty, said Mr. Muenterting, echoing warnings heard elsewhere Sunday in Germany.

"The government leaders could not have done a greater disservice to the reputation of the ECB and the preconditions for a positive euro start," according to the German Association of Savings Banks.

EU leaders meeting in Brussels appointed Wim Duisenberg, the Dutchman whom Germany wanted in the post, as the first president of the European Central Bank. Although he won a full eight-year term, Mr. Duisenberg announced immediately that he intended to retire under his own "free will" after only four years, which would clear the way for the Bank of France governor, Jean-Claude Trichet, to take his place.

Even if it was a "gentleman's agreement," Mr. Duisenberg's voluntary job-share results from "political pressure," the German banking group said. The truncated term "could diminish the historic undertaking of the euro and its internal and external stability," said Uwe-Karsten Heye, spokesman for Gerhard Schroeder, the Social Democrat challenger to Mr. Kohl in the German election Sept. 27.

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- Britain's strategy on the euro looks increasingly awkward.
- Wim Duisenberg, a zealous convert to tight monetary policy.
- The battle over the bank could rattle markets temporarily.
- What's a euro worth? For now, about \$1.10.

### U.S.-Israel Friction Seen If London Meetings Fail

By Steven Erlanger  
New York Times Service

LONDON — If Monday's meetings between Secretary of State Madeleine Albright and the Israeli and Palestinian leaders go as badly as American officials seem to expect, President Bill Clinton will face some hard choices that could bring him into more open confrontation with Prime Minister Benjamin Netanyahu.

After a week of Middle East shuffling by Dennis Ross, the special U.S. envoy, and an unscheduled session early Sunday at the Tel Aviv airport between Vice President Al Gore and Mr. Netanyahu,

American officials continued to say that they have little expectation for a breakthrough here.

They suggest that despite all the American massaging of Mr. Netanyahu lately, especially around the 50th anniversary of the founding of Israel, the Israeli leader is not prepared to accept the U.S. proposals for a 13 percent withdrawal from the West Bank and thinks he can withstand, in political terms, any pressure that might result from public American disapproval of his position.

"Secretary Albright is entering this meeting without any advance knowledge that the key gaps are about to be closed," her spokesman, James Rubin, said Sunday. "This is an extremely important meeting, and afterwards we'll decide what next steps to take."

U.S. officials deny, however, that they could remove themselves from the search for Middle East peace. But they could, if Mr. Clinton approves, take steps to pressure Mr. Netanyahu or even punish him, by publicly blaming him for the impasse or even suspending some American aid.

The U.S. proposals are designed to complete interim Israeli withdrawals from the West Bank, as called for in the 1993 and 1995 Oslo accords, in stages, in return for Palestinian steps to counter terrorism. The proposals would commit both sides to begin accelerated negotiations on a final settlement between them, which was envisaged in Oslo to be completed by May 1999. Mrs. Albright will meet separately here on Monday morning with Mr. Netanyahu at his hotel and later with Yasser Arafat, the Palestinian leader, at the U.S. Embassy.

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### 'For Jakarta, Is IMF Bane or Boon?

By Michael Richardson  
International Herald Tribune

SINGAPORE — Will the \$43 billion in loans for Indonesia marshaled by the International Monetary Fund strengthen reform or just prolong the cozy relationship between government and business that enabled a small group — including many relatives and friends of President Suharto — to amass personal fortunes, dominate the Indonesian economy and then cause its virtual collapse?

As the IMF board prepares to meet in Washington on Monday to review the situation in the world's fourth most populous nation, debate on this key question remains sharp within Indonesia and abroad.

But analysts said Sunday that recent moves by Mr. Suharto's government to implement the reform program it signed with the IMF last month would probably persuade the board to give it the benefit of the doubt. This would mean approval of a \$1 billion installment of the emergency loan that was suspended in March because of concerns about Jakarta's commitment to change — especially to end monopolies, cartels and other busi-

ness practices that favored companies with close ties to the government.

Still, Mr. Suharto's reluctance to honor the terms of two previous agreements with the IMF, one of which he personally signed, has prompted the Fund to impose much tighter surveillance and conditions for disbursement on Jakarta this time.

Indonesia turned to the IMF to bolster its plunging foreign-exchange reserves and restore stability after its currency, the rupiah, started to fall sharply in value last October. Because many major Indonesian conglomerates had borrowed heavily in dollars, their debts quickly became virtually impossible to repay, and the crisis exposed a fragile banking system.

The Indonesian central bank said April 16 that foreign debt owed by companies, including state-owned ones, totaled \$80.2 billion at the end of January. The bank said Sunday that private foreign debt amounted to \$64 billion, according to the Antara news agency.

Analysts said many of Indonesia's more than 200 private banks were units of the companies that had done most of the borrowing from them. They noted further that, before the crisis, state banks were notorious for giving unsecured

loans to friends of government leaders.

Kwik Kian Gie, an Indonesian economist, said he estimated that most of the country's crippling private debt could ultimately be traced back to companies owned or controlled by about 50 tycoons.

"The point is that these people are nearly all close to the ruling elite and that the conglomerates they head control more than 80 percent of the country's GDP," or gross domestic product, he said.

The Indonesian government has already shut a number of insolvent banks, including several in which Mr. Suharto's relatives had interests. Ginandjar Kartasasmita, the minister supervising the reform program, said last week that it was likely that more would be closed.

But the rating company Standard & Poor's Corp. criticized the recent decision taken by the Indonesian Banking Restructuring Agency to release nine weak banks from its supervision, saying this could delay reform and further erode confidence in the Indonesian banking system. Standard & Poor's said

See INDONESIA, Page 4

#### AGENDA

##### Talks Over, Turkish Cypriot Chief Says

NICOSIA (AFP) — The leader of the breakaway Turkish Cypriot state, Rauf Denkash, said Sunday that the U.S. envoy Richard Holbrooke was ending his current mediation mission and would not return to the divided island next weekend as planned.

Mr. Holbrooke arrived in Cyprus on Friday for reunification talks with Mr. Denkash and the Cypriot president, Glavkos Klerides.

Mr. Denkash said Mr. Holbrooke would leave Cyprus on Monday and would not return Saturday as planned. "This series of shuttles by Mr. Holbrooke is over," he said.

Turkey invaded Cyprus in 1974 after a coup attempt in Nicosia backed by the Greek military government.

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The IHT on-line www.ihf.com



KOSOVO FLARE-UP — An ethnic Albanian feeding a niece whose parents were killed, along with another woman, by Serbian mortar fire in Vojnik, Yugoslavia. In Ponoševac, five policemen were wounded Sunday.

### A Cure for Cancer? Elated Doctors Cautiously Point to Healthy Mice

By Gina Kolata  
New York Times Service

NEW YORK — Within a year, if all goes well, the first cancer patient will be injected with two new drugs that can eradicate any type of cancer, with no obvious side effects and no drug resistance — in mice.

Some cancer researchers say the drugs are the most exciting treatment that they have ever seen. But then they temper

their enthusiasm with caution, noting that the history of cancer treatments is full of high expectations followed by dashed hopes when drugs with remarkable effects in animals are tested in people.

Still, the National Cancer Institute has made the drugs their top priority, said Dr. Richard Klausner, the director. He called them "the single most exciting thing on the horizon" for the treatment of cancer.

"I am putting nothing on higher pri-

ority than getting this into clinical trials," Dr. Klausner said.

He said that while the mouse studies were "remarkable and wonderful" he nevertheless wanted to emphasize "the if's" that remain because the studies had been done only on mice and not in humans. The new drugs, angiotensin and endostatin, work by interfering with the blood supply that tumors need. Given together, they make tumors disappear and not return.

Dr. James Pluda, who is directing the cancer institute's planned tests of the drugs in patients, said he and others at the institute were "electrified" when they heard the drug's discoverer deliver a lecture about the newest results. "People were almost overwhelmed," he said. "The data were remarkable."

Although the discovery of the drugs, and some of their effects, have been reported over the past few years, Dr. Pluda said that "if people understood

how many steps ahead" the research was compared to what had been published, "they'd be even more in awe."

But Dr. Jerome Groopman, a cancer researcher at the Harvard Medical School, was wary. "We are all driven by hope," he said. "But a sober scientist waits for the data." And until the drugs are given to humans, he added, the cancer data simply do not exist.

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Newsstand Prices	
Bahrain	1,000 BD
Cyprus	55 c
Denmark	12.00 DK
Finland	12.00 FM
Gibraltar	5.05 G
Great Britain	5.05
Egypt	5.05
Jordan	1,250 JD
Kenya	1,250 K
Kuwait	700 K
Malta	12.00 M
Nigeria	1,250 N
Oman	1,250 O
Qatar	10.00 Q
Rap. Ireland	1.00
Saudi Arabia	10 SR
S. Africa	12.00 S
U.A.E.	10.00 D
U.S. M.	1.20
Zimbabwe	2m \$40.00



## Responsibility for the 'Millennium Bug' Puts a Gleam in Lawyers' Eyes

THE AMERICAS

# Clinton, Too, Vows an IRS Overhaul

By John F. Harris  
Washington Post Service

**PALO ALTO, California** — Calling himself "outraged" by the latest reports of abusive tax agents, President Bill Clinton is pledging new efforts to overhaul the Internal Revenue Service and ensure that what he says has "seemed to be an unaccountable, downright tone-deaf agency."

Using uncommonly derisive language against an agency run by his own administration, Mr. Clinton showed in his weekly radio address Saturday that he was determined not to be outdone by Republicans in voicing scorn for out-of-control tax collectors.

While touting actions that the administration has taken on its own to improve IRS service, Mr. Clinton repeated his support for legislation that, among other provisions, would establish an oversight board composed largely of private citizens to set policy and goals for the IRS.

Mr. Clinton and Treasury Secretary Robert Rubin once opposed such a measure, but they reversed course last fall as the proposal gained what seemed to be irreversible political momentum in both parties.

On Saturday, Mr. Clinton asserted that the only obstacle to a major re-vamping of the IRS was to work out the differences between what he called "very similar" bills in the House and Senate.

"I call on Congress to make this year the year we set aside political differences to enact real reforms of the IRS," said Mr. Clinton, who was in California over the weekend visiting his daughter, Chelsea. "When it comes to quality

service at the IRS, Congress can't afford to file for an extension."

Beginning last year, congressional proponents of overhauling the IRS marshaled enormous public support for their ideas by presenting testimony from apparently law-abiding citizens who came to grief at the hands of abusive agents. Republicans on the Senate Finance Committee heard a new collection of horror stories last week, before voting, 20 to 0, for an IRS overhaul.

In the Republican response to Mr. Clinton's address, Senator Charles Grassley of Iowa invoked one of those stories. He cited the experience of John Colaprete, who slipped into depression after his restaurant and home in Virginia Beach, Virginia, were raided by armed agents even though he was never charged with wrongdoing.

The incident showed the IRS is "simply out of control," Mr. Grassley said.

"There is no accountability," he added, "and when there is no accountability, IRS agents can continue to abuse taxpayer rights and get away with it."

With major changes in the way the IRS does business now nearly inevitable, the main battle is over the distribution of political credit. Mr. Grassley said that, after years of complaints about IRS behavior, "this Republican Congress finally broke through and performed outstanding oversight of the IRS."

But Mr. Clinton noted that, a year ago, the "reinventing government" initiative led by Vice President Al Gore began a broad IRS review and the administration has already implemented such changes as longer hours for IRS customer hot lines and "citizen advocacy

panels" to hear taxpayer disputes.

Even if some Democratic officials in Congress and the administration privately accuse Republicans of exaggerating IRS problems for political advantage, few have been willing to offer a public defense, lest they appear sympathetic to an agency that polls say is widely disdained.

Robert Tobias, president of the National Treasury Employees Union, said the IRS had already begun to change and called Mr. Clinton's criticism unfair.

Donald Kettl, a University of Wisconsin professor who studies public administration, said that because Republicans had had such success with the IRS issue, Mr. Clinton was using "me-too language" designed to help Democrats "put this behind them as soon as possible."

The House passed an IRS overhaul measure last year that would create an 11-member oversight board, give the agency new flexibility in personnel matters, accelerate electronic filing, strengthen the Office of Taxpayer Advocate and shift the burden of proof in disputes to the agency.

The Senate bill is similar, but, at an estimated cost of \$20 billion, it is far more expensive, in large measure because it would ease penalties and interest now assessed against people who owe back taxes.

The Senate, too, creates an oversight board, but its version would not give a seat to the Treasury secretary or a representative of the IRS employees' union.

A White House official said the administration wanted the bill that eventually reaches Mr. Clinton to be closer to the House version.

## AMERICAN TOPICS

### Full Houses: Prisons Expand To Contain Surge of Women

The newest state prison in Virginia has the usual chain-link fences and cinder-block walls, but it also features a beauty shop, a mammography clinic and a colorful playroom for children visiting their mothers.

The sprawling \$53 million Fluvanna Correctional Center is the state's fifth prison for women. It was built with a capacity of 1,200 — and with the hope that it can contain the rising number of female criminals. The Philadelphia Inquirer reports. That increase is not peculiar to Virginia, where the female inmate population has nearly doubled since 1990.

Nationwide, the number of women in state and federal prisons rose an astounding 478 percent from 1980 to 1997, nearly double the rate for men. North Carolina has just opened its sixth women's prison. Texas prisons house more than 2,400 women for violent crimes alone.

Penologists say there is no single explanation. Some authorities say that tougher sentencing laws have ensnared women who played minor roles in drug organizations. There is also evidence that today's more liberated and assertive women see violence as an acceptable way to solve problems.

From 1987 to 1996, violent crimes by women increased at more than three times the rate for men; the victims almost invariably were boyfriends,



**CLAN GATHERING** — Former President Jimmy Carter waving to family members at a reunion in Americus, Georgia, to honor the 200th anniversary of the birth of Mr. Carter's great-great-grandfather.

husbands or former husbands. Nationwide, women still account for only 6 percent of the inmate population.

### Short Takes

Hundreds of protesters joined weekend marches outside the offices and factories of the biggest U.S. handgun makers to demand safeguards to reduce the number of gun deaths. Protesters in Springfield, Massachusetts, home of Smith & Wesson, laid out 5,285 pairs of shoes to represent the number of people age 19 and under who died from gunshots in 1995, the latest year for which statistics were available.

Those taking part in the protest, called the Silent March, want weapons manufacturers to make guns child-proof, to stop offering laser sights and hollow-point bullets, to display prominent warning labels on guns, and to reduce production and raise prices.

"The country is awash in handguns that are killing people," said Tina Johnstone, the Silent March founder, whose husband was killed in San Francisco in 1992.

Brian Knowlton

## POLITICAL NOTES

### Starr Is in Clear 'at This Point'

**WASHINGTON** — Attorney General Janet Reno said Sunday that she saw no grounds to remove the independent counsel Kenneth Starr, who is investigating various allegations against President Bill Clinton.

"At this point, I have seen no evidence that would justify that action," she said on Fox television. Mr. Clinton has asserted that he is the target of a campaign of character assassination and implied that the prosecutor is part of it. Asked last week why he did not ask for Mr. Starr's dismissal, Mr. Clinton said it would be "inappropriate."

Ms. Reno vowed to pursue her responsibilities "with respect to the ultimate issue of whether an independent counsel should be removed or not." (Reuters)

### A Clinton Loyalist's Jail Calls

**WASHINGTON** — He may have been in jail, but Webster Hubbell still saw himself as a Clinton loyalist.

Talking with his wife in 1996 while in a federal prison for embezzling from his former clients and partners at the Rose Law Firm in Little Rock, Arkansas, Mr. Hubbell repeatedly expressed concern for one of those former partners: Hillary Clinton.

"I will not raise those allegations that might open it up to Hillary," Mr. Hubbell told his wife, Suzanna, in one phone call.

That loyalty is one of the most striking themes to emerge from a series of recorded behind-bars conversations that Mr. Hubbell had in 1996 with his closest confidants — edited portions of which were made available by the Republican majority of the House Government Reform and Oversight Committee.

In many cases, the Republicans produced their own paraphrasing of the conversations. Representative Henry Waxman of California, the senior Democrat on the committee, complained that the panel's chairman, Dan Burton, Republican of Indiana, had not allowed the minority Democrats to review the transcripts before making them public. The Republicans, he added, are "trying to smear Webb Hubbell" by producing selective portions that could be open to differing interpretations. (WP)

### Quote/Unquote

Mr. Clinton, denouncing a California ballot initiative that would eliminate most of the state's system of bilingual education and place all children with limited English skills into a one-year immersion program: "The answer is not to say, we'll go to one year and you're out without knowing, No. 1, what's going to be in that year; No. 2, can you provide the teachers that need to be provided; No. 3, is it literally intellectually possible for every child of every age, no matter what age they are when they come to this country and what their language is, to get that training." (NYT)



### Away From Politics

• Nearly 80 percent of the chemical ingredients for prescription drugs sold in the United States are imported, but federal investigators say in a report that the government has failed to police the safety and purity of the products. The General Accounting Office said the foreign suppliers are inspected much less frequently than domestic companies. Most foreign factories have never been inspected by the Food and Drug Administration whereas American factories must be inspected every two years. (NYT)

• The space shuttle Columbia returned to Earth on Sunday, ending two weeks of brain research that was marred by unexpected animal casualties. (AP)

• Global box office revenue from "Titanic" could run as high as \$1.75 billion, the head of Fox Filmed Entertainment, Bill Mechanic, said in Sydney. He said box office receipts from the film were already at \$1.6 billion. "It's almost double the number two film in history, so I think it's well past anyone's expectations," he said. The first "Star Wars" film had been the highest-grossing movie in history. (AFP)


• Divers began a painstaking search in the waters off the North Carolina coast for a French merchant ship believed to be the last vessel captured and sunk by the legendary English pirate Blackbeard in 1718. He was caught after the attack and killed. The divers marked four sites where metallic objects appeared to be sunk in about 12 feet of water in the Ocracoke Inlet off North Carolina's Outer Banks. (Reuters)

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## ASIA/PACIFIC

Phnom Penh  
Claims to Rout  
Khmer Rouge  
In the North

Compiled by Our Staff From Dispatches

SIEM REAP, Cambodia — As refugees fled across the border, Cambodia said it had all but destroyed one of the world's most brutal revolutionary movements by seizing the Khmer Rouge's last bases on the Thai frontier.

"Everything was over yesterday," Prime Minister Hun Sen said Saturday, claiming his forces had seized the remaining Khmer Rouge territory along the northern border.

But fighting continued, and Thai military officers said a total defeat of the guerrillas would be difficult. The Khmer Rouge hold various enclaves elsewhere in Cambodia.

About 25,000 Cambodians, most of them family and supporters of the Khmer Rouge guerrillas, have poured across forested border passes into Thailand's Sisaket Province since Friday.

While the Thai Army said there were no Khmer Rouge leaders or armed fighters among the influx, a number of the men in the camp said they would return to Cambodia to carry on their fight against the Phnom Penh government.

The refugees' rapid, disorderly flight was sparked by a Cambodian offensive in the northern mountains against the remnants of the Khmer Rouge guerrilla group being led by Ta Mok.

The English-language Bangkok Post reported Sunday that about 30 refugees were killed and 20 wounded when an artillery shell believed to have been fired by Cambodian government forces landed in their midst Friday.

Streams of people carried chickens, water and other belongings on their backs as they trudged toward the Huay Samran reservoir, 5 kilometers inside Thai territory.

"I have brought my wife and children here, and then I'm going back to the battlefield," said a Khmer Rouge fighter who crossed the border.

About 1,500 people had converged by late Saturday on the site.

Although the northern border area was probably the only place where the Khmer Rouge could have offered serious resistance to government attack, analysts say they could carry out hit-and-run attacks for years from their other enclaves.



A Khmer Rouge guerrilla holding his baby in a refugee camp in Thailand.

## South Korean Union Turns Against Kim

By Don Kirk  
International Herald Tribune

SEOUL — Suddenly, President Kim Dae Jung, the onetime dissident champion of the rights of South Korea's downtrodden and dispossessed, has emerged as the enemy of South Korea's most powerful militant labor union.

"Kim Dae Jung Is the Enemy of Labor," said a headline in a newspaper published by radical workers in Seoul.

"The Kim Dae Jung government is deceiving labor," said a pamphlet distributed by the militant Korean Confederation of Trade Unions.

Leaders of the union vowed Sunday to broaden their struggle even as Mr. Kim ordered a crackdown on the kind of violence that broke out Friday, when

more than 20,000 union members and student sympathizers confronted lines of policemen armed with riot sticks and tear gas.

"We are preparing for many more strikes," said Lee Kab Yong, president of the Korean Confederation of Trade Unions, which has 600,000 members placed in many of the country's largest industries, including the three leading motor vehicle manufacturers. "This is just the beginning."

"Violent protest cannot be tolerated," said Mr. Kim, ordering the national police to give him a full report by Monday on who was responsible for turning what had begun as a May Day rally into a rock-throwing melee in which more than a dozen people were injured and four arrested.

## AIDS Soars in Burma Heroin Users

By Christopher S. Wren  
New York Times Service

RANGOON — At sidewalk tea stalls where Burmese men socialize over cups of fragrant black tea, proprietors in some towns have added a lucrative sideline — heroin — and use the same syringe to inject as many as 40 customers.

The surreptitious practice, described by several Western diplomats and doctors, illustrates how Burma, the world's foremost exporter of opium, has developed its own domestic heroin habit, with potentially disastrous consequences.

So many young Burmese are injecting heroin that some medical experts say Burma has the world's highest rate of HIV infection and AIDS contracted from dirty needles.

By 1994, the Global Program on AIDS of the World Health Organization reported, 74 percent of drug addicts in Rangoon, 84 percent in Mandalay and 91 percent in Myittha, in the north, had HIV, the virus that causes AIDS.

This compares with about one-third of New York's 150,000 to 200,000 intravenous drug users who are HIV-positive, according to Donald Des Jarlais, research director for the Chemical Dependency Institute at Beth Israel Medical Center in New York.

The Burmese government has reported registering only 60,000 addicts, with as few as 17,000 infected with AIDS. Foreign medical researchers put the

total number of addicts closer to 500,000, and estimate that several hundred thousand heroin injectors have become HIV-positive.

Another study, financed by the United Nations Drug Control Program, a terse abstract of which was released by the Burmese Health Ministry, found drug abuse prevalent in 1.7 percent to 25 percent of the population studied in three dozen Burmese townships.

With 88 percent to 99 percent of drug abusers identified as male, the study implied that up to half of the men in some townships could be addicted.

Both studies are cited in a new book, "War in the Blood: Sex, Politics and AIDS in Southeast Asia," by Dr. Chris Beyrer, an American epidemiologist who has worked in the region and interviewed health workers, addicts and people with AIDS.

"It's going to be one of those situations where people will say, 'How could the world not have known, because hundreds of thousands of people have died there?'" he said in an interview.

Burma offers a harrowing example of drug-producing or drug-transit countries that find their own people becoming addicted to heroin or cocaine intended for foreign markets.

The military government's own AIDS statistics have been suspect since 1996, when it wooed foreign tourists with an advertising campaign that portrayed the country as a vacation paradise.

Dr. Beyrer, who is on the staff of the Johns Hopkins School of Hygiene and Public Health in Baltimore, said he knew of Burmese researchers who were punished for being too candid about the country's AIDS problem. Mr. Beyrer also said the military junta's credibility was so suspect that even if they told the truth, many Burmese might not believe them.

Although for years older hill people smoked opium to relax or as a treatment for illnesses like malaria, it is younger, lowland Burmese who are injecting opium's refined derivative, heroin.

Dr. Ba Thuang, director of the Drug Dependence Research and Treatment Unit in Rangoon, said that heroin was widely available, inexpensive and devastatingly pure.

"Before, we had very few social problems, but now we have a lot of problems connected to drug use," he said.

Dr. Gyaw Htet Doe, a psychiatrist in the research unit of the Rangoon drug treatment center, estimated that 62 percent to 65 percent of younger heroin patients are HIV-positive.

"It will kill or harm a lot of young people in our country."

Other medical specialists made available by the government confirm the problem.

"The majority of intravenous drug users are HIV-positive," said Dr. Martin Joseph, a consulting psychiatrist at the general hospital in Lashio, a town in northeastern Burma. "We estimate about 80 percent."

## BRIEFLY

## Beijing Police Arrest '89 Student Leader

BEIJING — The police have arrested a former leader of the Tiananmen Square democracy movement who disappeared soon after arriving in Beijing for the 100th anniversary of Beijing University, a rights group said Sunday.

"It has been confirmed by the government that one of the leaders of the 1989 student movement, Wang Youcai, was arrested by the Beijing Public Security Bureau when he disappeared on April 27," the Information Center of Human Rights and Democratic Movement in China reported.

The police have refused to specify where Mr. Wang is being held. He disappeared after traveling to the Chinese capital from his home in the eastern city of Hangzhou for the university's centennial celebrations.

The rights group said it believed that authorities had detained Mr. Wang to prevent him causing trouble during the celebrations scheduled for Monday.

## China Is 'Threat,' India Official Says

NEW DELHI — Defense Minister George Fernandes said Sunday that India faced a bigger threat from China than from Pakistan and added that New Delhi would make nuclear weapons if

the country ran out of options.

"China is potential threat number one," the defense minister said on the private Home TV network.

"The potential threat from China is greater than that from Pakistan and any person who is concerned about India's security must agree with that fact," the network quoted Mr. Fernandes as saying. His statement came a few days after the first visit to India by the Chinese Army's chief of staff, General Fu Quanyou. (AFP)

## For the Record

Two earthquakes struck eastern Japan within minutes Sunday, but there were no immediate reports of injuries or damage, the Japanese meteorological agency said. The quakes, which measured 4.3 and 5.4 on the Richter scale, were strongest in the coastal city of Ito, about 110 kilometers (70 miles) southwest of Tokyo. (Reuters)

Twelve people were killed and five injured Sunday by a rival tribe in the northeastern Indian state of Assam. The police confirmed the deaths of the Santhals tribesmen who had been traveling in a bus when they were attacked by Bodo tribesmen in the Kokrajhar district. (Reuters)

A Hong Kong hydrofoil heading for the Portuguese enclave of Macau hit a submerged object, injuring 115 people Saturday among the 244 people aboard. (AP)

## Singapore Life Is Best, Expatriates Say

Compiled by Our Staff From Dispatches

HONG KONG — Singapore has overtaken Malaysia as the East Asian country with the best quality of life for expatriates, according to a survey.

The Hong Kong-based Political & Economic Risk Consultancy surveyed more than 400 expatriates in 10 countries and Hong Kong on such concerns as housing, schooling, health care and recreational facilities.

Singapore had a score of 3.62 on a 10-point scale, with 10 denoting the worst. It edged out Malaysia, in second

place with 3.66 points, as the city-state's high financial rewards, excellent infrastructure, safety, cleanliness and general efficiency were proclaimed the best in the region. But those surveyed said Singapore's censorship, limited access to foreign media, high cost of living, lack of recreational activities and bureaucracy detracted from the overall quality of life.

South Korea took last place, at 6.37 points. The survey found that the country's mounting economic problems did not seem to have softened

what many expatriates perceived as a xenophobic attitude among the local population. Respondents also cited heavy traffic congestion, pollution and a limited range of Western amenities.

Taiwan rose to third place from seventh last year, based on improved ratings for schooling and personal security. Japan rose to fourth, with 4.36 points, from sixth last year. Hong Kong fell to fifth from fourth because of its high cost of living. Thailand, the Philippines, Indonesia, China and Vietnam followed, in that order. (AP, Reuters)

## Anti-Suharto Protesters Mark a Pause

MEDAN, Indonesia — Indonesian campuses fell silent Sunday after weeks of anti-Suharto protests reached a crescendo and the longtime ruler moved to assuage fears that he was steadfastly opposed to political reform.

But students in several cities said the halt did not mark the end of their demands for swift reforms and for President Suharto to resign over Indonesia's worst economic crisis in decades.

They said that more protests were being planned and that there was no sign students had been mollified by the message from Mr. Suharto, 76, that there could be an immediate debate on political reforms.

"Basically the student protests will not stop until the government carries out concrete reform," said Rama Pratama, head of the student council at the University of Indonesia in Jakarta.

"Protests: What Will Happen Next?" the Jakarta Post asked Sunday. The

front-page headline summed up the situation. No one quite knows where this country of 200 million people is headed.

On Friday, cabinet ministers quoted Mr. Suharto as saying that there could be discussion of reform but that, constitutionally, no change could be carried out until 2003.

That, students said, fueled protests on Saturday. But as demonstrations were under way, ministers interpreted Mr. Suharto's remarks as allowing immediate debate and preparation for reform.

The Information Ministry said a new electoral system based on constituencies and abolishing parliamentary seats reserved for the military was expected to be in place for the next general election in 2002.

But on campuses in many major cities there were chants of "Reforms now, not 2003!" as students marked National Education Day on Saturday with the most widespread protests since the movement began in February.

In Jakarta, where demonstrations were held on half-dozen campuses, security forces used tear gas and rubber bullets to block students from moving off the campuses. There were also clashes at demonstrations in several other major cities on Java.

In Medan, in northern Sumatra, witnesses said that students at Nommansen University had blocked a road near the campus with tires that they set on fire and had broken into a showroom displaying a car produced by company controlled by a son of Mr. Suharto's, rolled the car into the street and set it afire. University officials closed the campus for a week.

But most of the protests Saturday were peaceful, as the majority have been since they began just before Mr. Suharto was re-elected to a seventh five-year term by a body he largely handpicked. Mr. Suharto, who has ruled Indonesia since 1966, has shown no signs of yielding to the pressure to step down.

## INDONESIA: Will Release of IMF Funds Help or Hurt Reform?

Continued from Page 1

that reform could be achieved more rapidly "if the Indonesian regulators were not as committed to protecting all financial institutions, regardless of their economic viability, as appears currently to be the case."

Critics in the U.S. Congress argue that the interlocking relationship between government and business in Indonesia is so pervasive that IMF loans will only prolong it.

Reflecting that view, Doug Bandow, a senior fellow at the Cato Institute in Washington, said Indonesia's economy was "bedeviled by inefficient monopolies, insolvent banks, harmful trade barriers, wasteful food subsidies and political favoritism."

The IMF bailout package "has only reduced the Suharto government's incentive to reform by relieving the pain of financial failure," he said. "Thus the government is likely to do only the minimum necessary to receive aid, which means Jakarta will almost certainly retain its system of pervasive crony capitalism."

But a senior Western diplomat in Jakarta said many Indonesians who

wanted to see real reform regarded the IMF program as an essential part of the pressure needed to bring it about.

"The best way to effect change is to support and work with those inside the country who want reform," he said. "If the program is successful, Suharto could claim the credit. But the reforms will still result in the desired change."

Robert Broadfoot, managing director of Political & Economic Risk Consultancy Ltd. in Hong Kong, said that because of the regional economic crisis and demands of the IMF, "the situation with respect to monopolies and cartels is likely to improve far more rapidly in Indonesia over the next 12 months than it has in the last 30 years."

But he added that the beneficiaries of the old arrangements would not allow this to happen without a fight and that if Mr. Suharto remained in power, many monopolies abolished in line with IMF agreements were likely to resurface in new forms.

Stanley Fischer, the IMF's first deputy managing director, commended the Indonesian government for making progress on economic reforms. But he added that if the board approved the loan payment to Jakarta on Monday, as

he expected it would, the Fund would check progress in Indonesia each month, instead of each quarter, before making any further payments.

The IMF usually monitors the reform programs of its debtors on a quarterly or semiannual basis. Monthly monitoring has only been used for Russia and some other countries where IMF officials felt there was a higher-than-average risk of slippage in reform efforts.

Sri Mulyani Indrawati, deputy chairman of the University of Indonesia's Center for Economic and Social Studies, said the latest 117-point reform program agreed to by the Indonesian government was "so detailed, explicit and demanding" that it would be "almost impossible for Indonesia to backtrack."

Other analysts said that any major failure to meet the timetable would cause another suspension of the IMF loan package. This would deal a devastating blow to business and investment confidence in Indonesia, they said, sending the rupiah into another downward spiral that would ruin companies and banks — including many owned or controlled by the elite — prolong the recession and intensify the already increasing political opposition to Mr. Suharto's 32-year rule.

## A PATCHWORK PLANET

By Anne Tyler. 288 pages.  
\$24. Alfred A. Knopf.

Reviewed by Michiko Kakutani

CUTENESS may be nice in a Beanie Baby, but it's not something you really want in a novel.

Anne Tyler's novels — with their eccentric heroes, their homespun details, their improbable, often bawdiest plots — have often flirted with cuteness, but they've been saved from sentimentality in the past by the author's innate storytelling gifts, her shrewd understanding of familial dynamics and her rich emotional wisdom.

For some reason, none of these redemptive qualities is on display in her latest novel, "A Patchwork Planet" — a novel that feels strangely perfunctory and contrived. Barnaby Gaitlin, the hero, is another one of Tyler's oddballs — another lost male, like Macon Leary in "The Accidental Tourist" or Ian Bedloe in "Saint Maybe," who has slipped into an early midlife funk.

At 29, Barnaby considers himself a loser. He lives in a squalid rented room in another family's house and works part time moving furniture and doing household chores with a service called "Rent-A-Back." His wife, Natalie, has divorced

him and wants him to stop visiting their daughter, Opal. His wealthy parents have never forgiven him for the petty crimes he committed as a teenager, and his snooty brother, Jeff, looks down on him as a lazy ne'er-do-well who will never grow up.

Of course, Barnaby is supposed to be a lovable ne'er-do-well. When he broke into houses with friends, he rifled through people's photo albums while his pals were looking for car keys, cigarettes and booze. And when he actually stole something, he took only mementos like a little snow globe or a brass egg. He is fond of using fuddududdy expressions like "scads of money" and saying "Ah, me."

Like so many Tyler characters, Barnaby sees himself as something of a rebel, though he actually has quite a bit in common with his family and its traditions. His family runs a foundation that gives money to the poor, and Barnaby, in his way, is a do-gooder too. As a "Rent-A-Back" employee, he helps a lot of elderly folks with chores they cannot perform and serves as their friend, confidant and booster. People are constantly telling him that he has a kind heart.

One of the Gaitlin family's favorite beliefs is that each Gaitlin has his or her very own angel. All the Gaitlins write up their angel encounters in matching

gray cloth ledgers with leather corners. Barnaby has been wondering if his personal angel will ever show up, when he meets — well, accosts — a maroon woman named Sophia on the train to Philadelphia. He decides that this stolid bank employee must be his angel.

Before long, Sophia has retained Barnaby's services for her aunt, and within weeks, Sophia and Barnaby are dating. Barnaby feels his life is beginning to change. He makes a concerted effort to be a better father to Opal, he pays off the debt he owes his parents and he determines to put his affairs in order. And for a while, things are decidedly better — that is, until Sophia's aunt accuses him of stealing her secret stash of cash.

Unfortunately for the reader, it's hard to care a lot about what happens to Barnaby or Sophia. In the past, Tyler's gift for sympathy and emotional insight has pulled her characters back from the brink of caricature, but this time her people feel oddly flimsy and paper-dollish.

As for the little details Tyler sprinkles over her story — the patchwork picture of planet Earth on an elderly woman's quilt, the angel drawing on the Gaitlin Foundation's letterhead — they, too, have a paint-by-numbers touch. They add up to a patchwork novel that feels hokey, mechanical and, yes, too cute.

New York Times Service

## BRIDGE

By Alan Truscott

THE Generali Masters tournament in Ajaccio, Corsica, is unlike any other. Fifty-two experts, about one-third of whom owned world titles, played an individual, placing a premium on adaptability and relegating elaborate systems and conventions to the sidelines.

The winner, thanks to a strong final session, was the veteran French star Paul Chemla, a winner of many world titles including the Bermuda Bowl, won in Tunisia in October. The standings were: first, Chemla, 55.23 percent; second, Apolinar Kowalski of Poland, 55.11 percent; third, Andy Robson of Britain, 54.41 percent; fourth, Gabriel Chagas of Brazil, 54.21 percent.

The winner of the women's title, in a field of 28 stars, was Migri Zur-Albu of Israel. The standings were: first, Zur-Albu, 57.12 percent; second, Veronique Bessis of France, 56.3 percent; third, Sandra Landy of Britain, 55.33 percent.

Chagas led his event after three sessions but faded at the end. One early round of play gave him considerable aid in his unsuccessful bid for the title. On the first board his opponents had a slight misunderstanding and played seven hearts with a one-four fit. The declarer, the guilty party in the bidding, asked the director if he was required to

play such a contract, got a positive reply and was down six. On the next board, shown in the diagram, Chagas was in an obvious four-spade contract and squeezed out a far-from-obvious overtrick. He won the opening club lead with the king and led a low diamond. East won and drove out the club ace. A spade to the king collected the jack, and another spade went to the queen and ace. A club return was ruffed.

The lead of the spade 10 removed the missing trump, and simultaneously trump-squeezed West. He had to discard in one of the red suits, and whichever he gave up permitted South to play and establish a trick by ruffing. Chagas scored 20 match points out of 24, and 44 out of 48 for the round.

Neither side was vulnerable. The bidding:

South	West	North	East
1♣	Pass	3♠	Pass
4♠	Pass	Pass	Pass

West led the club jack.

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EUROPE

# Georgia Fears Russian Plot

Moscow Subverts Democracy, Shevardnadze Says

By Stephen Kinzer  
New York Times Service

TBILISI, Georgia — As President Eduard Shevardnadze was flying home April 26 from a visit to Turkey, his pilot gave him alarming news. The two Georgian Air Force jets that normally escort the president's plane to guard him against airborne attack were nowhere to be seen.

Mr. Shevardnadze's plane landed safely in Tbilisi, the Georgian capital, and after an urgent inquiry it turned out that the jets were parked at a nearby Russian base and could not fly because sand had been poured into their engines. Mr. Shevardnadze was outraged and dismissed the defense minister, Lieutenant General Vardiko Nadibaidze, who is known for his pro-Russian stance.

It was the latest in a series of incidents that have led many Georgians to conclude that powerful forces in Russia are plotting against their infant democracy and Mr. Shevardnadze in particular. Almost without exception, politicians and intellectuals here have come to believe that for economic and strategic reasons, Russia is determined not to allow this country, which declared independence from the Soviet Union in 1991, to slip out of its orbit.

But resistance to Moscow is stiffening in both Georgia and neighboring Azerbaijan, where President Heydar Aliyev recently declared that he and his compatriots "are not nerfs" and do not intend to "wait for Russian permission" before making important political decisions.

This presents Russia with a stark strategic choice. It can either accept a reduced role in the Caucasus or fight to maintain its power here, which entails risking a complete loss of influence.

In Georgia, Mr. Shevardnadze has begun to accuse Russia in startlingly direct terms of fomenting unrest. After an attempt on his life Feb. 9, the second since he took office, he theorized only that it had been planned by "an evil spirit" possibly connected to international terrorism. But in an interview in April, he spoke far more bluntly, reflecting his government's growing impatience with Russia.

"The organizer of the pre-

vious attempt against me is now hiding in Russia," Mr. Shevardnadze said, referring to his former intelligence chief, General Igor Gior-gadze, who fled in 1995 after a car bomb attack failed to kill the president. "We could also see his handwriting in this latest attempt."

"It doesn't mean that all of Russia thinks this way," the president added. "There are people there who are very progressive, but unfortunately the majority are reactionary, and that creates a problem. They want Georgia to be obedient, but freedom and obedience are not compatible. Russia is fighting very hard against the establishment of democracy here."

Mr. Shevardnadze also asserted that separatists who have controlled the Black Sea province of Abkhazia since 1993 could not have defeated the Georgian Army without Russian help.

Although Abkhazia and two other breakaway regions are outside government control, Georgia is at peace and making progress toward democracy. Armed criminal gangs that roamed freely until a few years ago have been crushed, a sophisticated Parliament has been elected, and hundreds of citizens' groups have sprung up to support causes as varied as press freedom, the environment and rights for the handicapped.

By many standards, Georgia is among the most democratic of the countries that emerged from the Soviet Union. But there are still about 15,000 Russian soldiers here, and how to get rid of them and the influence they represent has become the great national problem.

Russian leaders have long viewed Georgia and other Caucasus republics as wild places that cannot rule themselves and need a strong paternal hand.

For their part, Georgians have traditionally blamed Russia for all their problems, sometimes to the extent of paranoia.

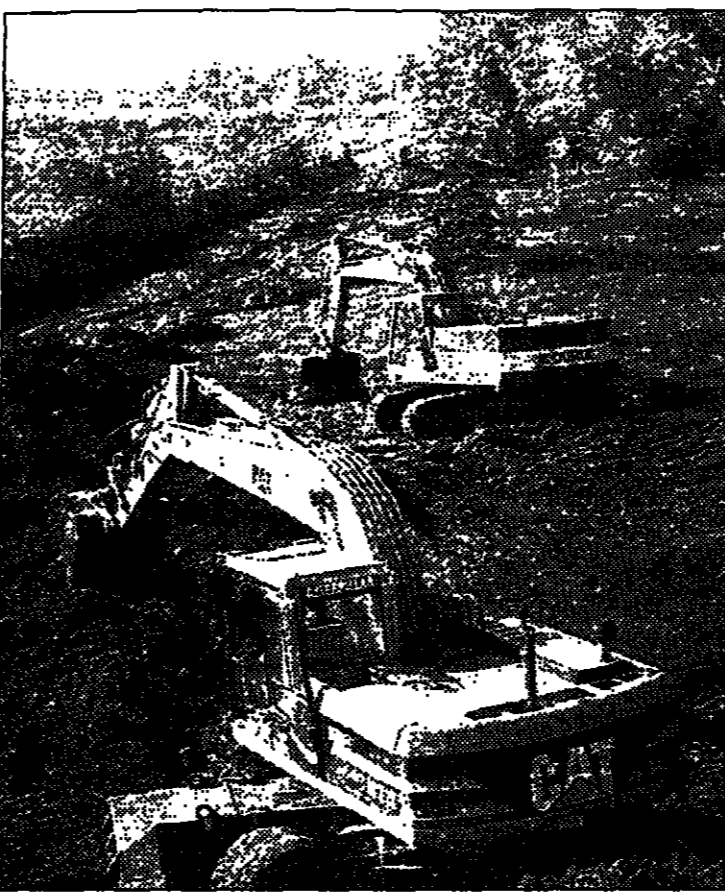
Today, however, even many foreign experts say there is considerable evidence to suggest that elements within Russia seeking to recover Georgia, if not the government itself, are determined to curb what they see as Georgia's desire to ally itself with Moscow's enemies.

"For the last 200 years Russia has been the major actor here," said a senior Western diplomat in Tbilisi. "But we're seeing perceptibly growing anger at what the Georgians view as continual Russian meddling."

"They are drawing closer to the West," the diplomat added, "most recently in their decision to hold military exercises with Turkey and allow Turkish naval vessels to call at Georgian ports."

Reflecting that view, one of the country's most prominent foreign policy experts, Alexander Rondelli of Tbilisi State University, said Georgia's main problem is "the nonstop development of Russia's neo-imperialist policy here."

"I wouldn't say the Caucasus region would be completely calm if Russia stayed out," he added, "but if you look back over the 1980s and '90s, you can see that almost everything bad that has happened in the Caucasus is the result of Russian involvement."



Mechanical diggers removing toxic mud Sunday west of Seville.

# Clean-Up of Toxic Spill Gets Under Way in Spain

Truckloads of Acidic Mud Being Hauled Off

SEVILLE, Spain — Workers began a massive clean-up Sunday in the aftermath of a toxic waste spill that has created one of Spain's worst ecological disasters.

Crews began hauling away the first truckloads of 7 million tons of acidic mud left on the banks of the Guadamar River after a mine reservoir ruptured April 25, sending a torrent of toxic material flowing downstream.

Environment Minister Isabel Tocino, who has called the spill "an ecological catastrophe of historic proportions," sounded a note of optimism as the recovery effort got under way near the riverside town of Sanlúcar La Mayor. "This is a hopeful morning for the Spanish people," she said.

The owner of the mine, the Canadian-Swedish conglomerate Boliden Ltd., has agreed to pay for the clean-up and to guarantee farmers reimbursement for millions of dollars' worth of crops poisoned by the toxic flow.

The company has provided 500 workers from its Los Frailes mine, idle since the spill, to help remove the mud and deposit it in an abandoned section of

the open-pit mine site at Aznalcollar, west of Seville.

Some environmentalists have called the recovery plan ill-conceived and question whether Boliden can manage such a complex operation.

Experts say the longer the sludge remains in the rivers and marshes, the heavier the toll will be on wildlife in the area. Volunteers in protective clothing have already cleared away up to 20 tons of dead fish from contaminated waters near Donana National Park, Europe's biggest nature reserve.

Birds have begun turning up dead along the riverbanks, and the rotting carcasses of a sheep and a deer, possibly poisoned from drinking the water, have been found in marshlands on the outskirts of Donana.

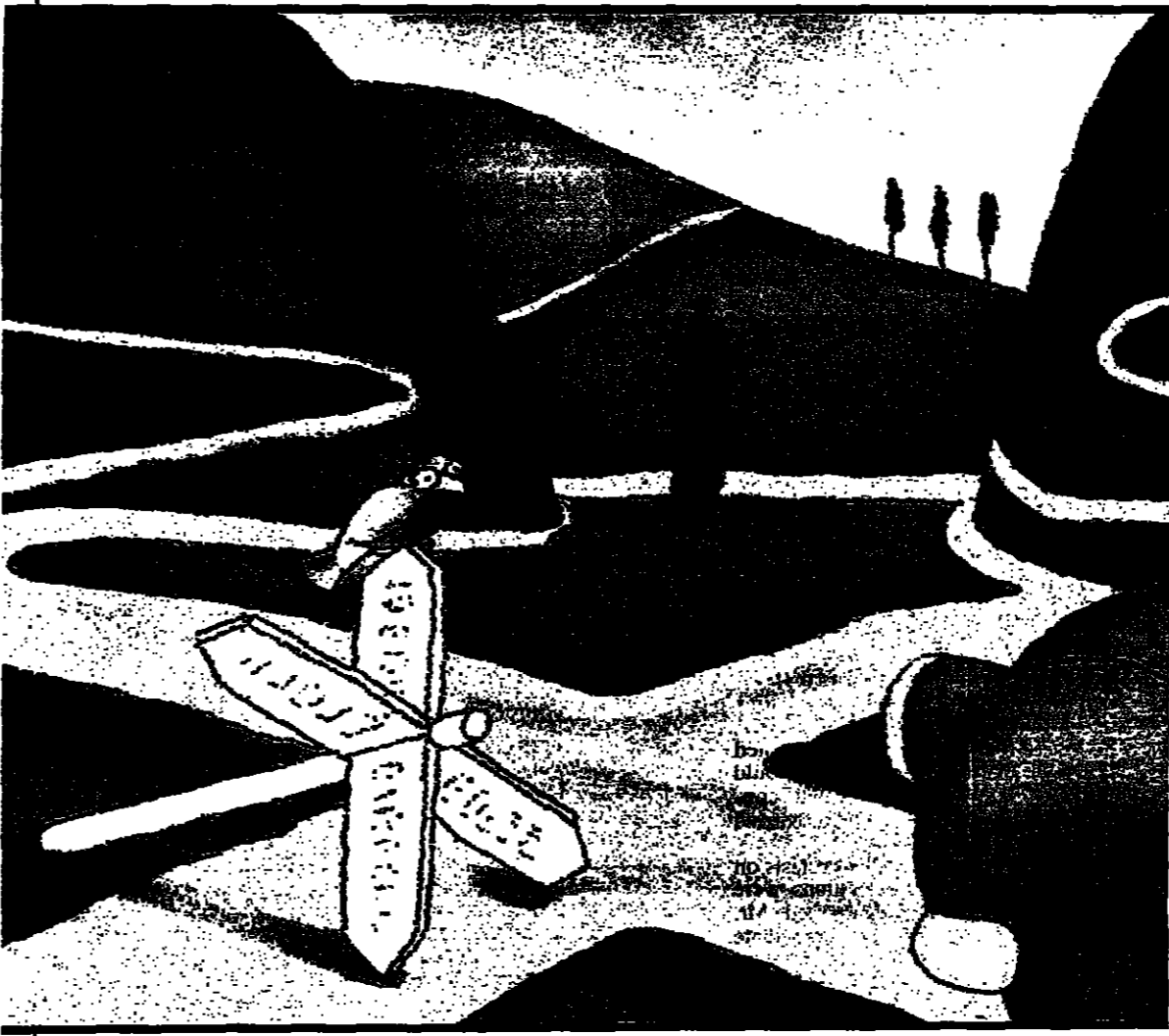
About 46,000 people have been affected, many of them small farmers who saw their crops destroyed and land contaminated.

Recovery efforts will concentrate on a 40-kilometer (25-mile) stretch of the Guadamar, the path of destruction cut by the tide of toxic waste before it was diverted away from Donana by a series of makeshift dikes.

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### BRIEFLY

#### Le Pen Party Loses By-Election

TOULON, France (Reuters) — The far-right National Front party of Jean-Marie Le Pen failed Sunday to win back its only seat in Parliament in a very close by-election runoff in the Mediterranean port of Toulon, city officials said.

A Socialist, Odette Casanova, won by 33 votes over Cendrine Le Chevallier, the wife of the Toulon mayor, Jean-Maire Le Chevallier. Mrs. Casanova polled 50.07 percent of the votes to Mrs. Le Chevallier's 49.93 percent. Last Sunday, in the first round, Mrs. Le Chevallier edged Mrs. Casanova, who ran on a united left ticket.

The by-election was called after Mr. Le Chevallier was stripped of the National Assembly seat he won for the National Front in June and was banned from running again for a year for exceeding the campaign spending limit. (Reuters)

#### Danes' Strike in 'Difficult Phase'

COPENHAGEN — After talking far into the night on ending a weeklong national strike, unions and employers took a break Sunday as the negotiations were reported by Danish radio to have reached a "difficult phase."

The sides had set Sunday as the deadline for an agreement, but regardless of whether they succeeded, Danes very likely faced several more days of a hobbling strike. Hans Jensen, head of the Confederation of Trade Unions, said the strike probably would continue until all union members could vote on any agreement, a process that could take five days.

Both sides had softened their positions in recent days on the key issue: the demand for a sixth week of paid vacation. Mr. Jensen told a huge May Day rally that unions could not hope for a full extra week. Joern Neergaard Larsen of the employers' confederation said Saturday employers were prepared to give ground. (AP)

#### Havel Expected to Leave Clinic

INNSBRUCK, Austria — The Czech president, Vaclav Havel, whose state of health continues to improve, was expected to go home to Prague on Wednesday, Austria Presse-Agentur reported Sunday.

The 61-year-old president, who underwent emergency surgery April 14 to repair a perforated intestine, was able to shower unassisted. Dr. Ernst Bodner was quoted as saying Mr. Havel left the intensive care unit at the saying. Mr. Havel left the intensive care unit at the saying. Mr. Havel left the intensive care unit at the saying.

Doctors said they would wait until Monday to remove the tube that had been inserted to help Mr. Havel breathe. Dr. Bodner said that Mr. Havel's organs were functioning properly and that his surgical wounds were healing. (AFP)

#### Yilmaz Appeals for Backing

ANKARA — Prime Minister Mesut Yilmaz issued a personal call Sunday to a parliamentary power broker not to withdraw his support from the government, the Anatolian News Agency said.

It said Mr. Yilmaz made the call at a union function that he and the Republican People's Party leader, Deniz Baykal, attended.

"I call on everyone who supports this government and on Mr. Baykal: Give this government a chance," Mr. Yilmaz said, turning toward the man whose backing props up his minority coalition. (Reuters)



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## EDITORIALS/OPINION

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## A Momentous Decision

Eleven of the 15 members of the European Union are preparing to discard their marks, francs and other national currencies by 2002 in favor of a new currency, the euro. Their goal is to boost economic growth and political ties. But the euro could backfire, trapping unlikely regions in recession and triggering political resentment when no authority comes to the rescue.

Americans can hope that the brash policy works because prosperity in Europe helps the United States grow, even if the rise of the euro diminishes the international clout of the dollar.

By adopting the euro, every country in the European Union except Britain, Sweden, Denmark and Greece would create the kind of common currency in Europe that Americans take for granted with the dollar. The euro is likely to boost economic activity by cutting the cost of buying and selling. Rather than juggling 11 different yardsticks, consumers can instantly compare the price of goods in Finland, Italy and other countries in between. The euro also eliminates the risk for investors that exchange rates will fluctuate and sabotage long-term contracts.

But a single currency also poses risks, because it robs countries of control over their own economies. If the French economy takes a nosedive, the government can pump in francs, devalue the franc or cut taxes and raise spending. But under the euro, France would have no francs to inject into the economy or to devalue, and would operate under rules that severely limit deficit spending.

Unlike the United States, where cit-

izens commonly move from one state to another in search of economic opportunity, Europeans are unlikely to migrate to countries with different languages, cultures and laws. If the French economy slows, and the European central bank does nothing, because the rest of Europe is thriving, the French may be resentful. A policy designed to unify Europe could intensify divisions instead.

If the euro boosts the European economy, it will also boost America's. However, to the extent that it replaces the dollar as the currency of international trade, it will trim some real financial benefits that come from America's current role as the world's banker. But the threat is small. The best guess puts the loss at a few billion dollars a year, nothing to fret about in an \$8 trillion economy.

A more amorphous threat is political. If managed properly, the euro could assume an international presence comparable to the dollar's.

There would be pressure on the Europeans to create a political body able to manage the euro for international purposes, like the bailout of South Korea, Indonesia and Thailand led by the United States.

Some in the United States welcome the political evolution of the European Union as a way to lighten the United States' economic and political burdens. Others fear Europe's potential political clout.

The impact of this momentous decision goes way beyond economics in unpredictable directions.

—THE NEW YORK TIMES.

## Go-Ahead for NATO

President Bill Clinton launched NATO enlargement, and a Republican Senate ratified it. This one-two provides a richly bipartisan achievement for American foreign policy.

The accession of Hungary, Poland and the Czech Republic amounts to a major expansion of American defense responsibilities, with commensurate risks and costs, some impossible now to calculate. But, and here is the rationale for enlargement, it also amounts to an expansion of deterrence, stability and encouragement for democracy in the heart of a continent of paramount American interest and in continuing need of support for these goals.

Opponents of ratification never had the horses in the Senate. Nonetheless, the opponents, in and out of the Senate, did raise serious questions that require unbroken attention. One of the two principal questions concerns those extra risks and costs.

The best response to it is that the extension of NATO into the gray area of the new Central European democracies should diminish the strategic uncertainty that is the region's chief threat. With the shrinking of uncertainty comes the containment of the costs and risks. That is the very premise of the new decision.

The other principal question is whether the movement of NATO hundreds of miles closer to Russia's borders, with further movement perhaps to come, may not provoke Russia into a backward-looking nationalistic policy.

It would be foolish to say that Russia, a country still in a vulnerable phase of uprootedness and transition, cannot be further alienated. But that simply makes it prudent to engage with Russia more deeply across the board in order to prevent the opponents' dire forecasts from becoming true by official default. No doubt many Russians would prefer to keep Central Europe a sphere of influence in which traditional Russian security ambitions prevail over the wishes of the new democracies. But the Cold War was fought, on the American side, precisely to prevent that old habit from being sustained.

Meanwhile, no one should think that NATO enlargement has solved the problem of European security. Politically speaking, launching a bold project on the future of Europe is a snap next to dealing with the storm gathering in Kosovo. For the United States and its partners in Europe, the price of yielding to Serbia's power play there is very high.

—THE WASHINGTON POST.

## The 'Year 2000' Crisis

Only trained computer programmers or the otherwise technically astute can truly evaluate the severity of the coming "Year 2000" computer crisis. Everyone else is stuck weighing the credibility of various estimates and estimators and looking for clues. But the clues are beginning to suggest an event that, however serious, is at least being taken seriously.

The U.S. Senate last week announced the formation of a select committee to track Year 2000 (or "Y2K") compliance efforts across the government. The House has been holding hearings for more than a year. The president has created a White House council on the problem and authorized government agencies to work with outside institutions on their plans for "Y2K compliance." A worldwide "virtual conference" on the topic is slated for June.

As for the dimensions of the problem, no one, even now, has a clear idea what will happen when the "99" in two-digit date fields runs over to "00." Some people still think air traffic control computers will shut down. Social Security checks will not be issued, credit checks and shipping routes will go haywire, and world financial systems will splinter (especially if they are connecting to noncompliant networks

in places such as Asia, which has been distracted by its recent crises).

Will any of this really happen? The consensus so far is that most companies and industries have attacked the problem but are moving too slowly. The first official U.S. estimate, from the Federal Reserve, says the updating job will cost U.S. businesses around \$50 billion.

Some see the millennium bug not as a one-time event that will happen at midnight on Dec. 31, 1999, but as a continual avalanche affecting organizations and their interaction from the time they begin spending money to prepare until long after the deadline is past.

The snowball effect is visible in another way, too, perhaps best illustrated by the warning appended to the government's site for its conference: "Please note that the purpose of this conference is not to advertise or promote specific Y2K products." A looming presumed catastrophe is an open invitation for entrepreneurs, consultants, marketers and charlatans of all kinds.

As forecasts of new bureaucracies spring up, it is important to keep in mind that it will be programmers alone, not councils and planning teams and flow charts, who can find the Year 2000 bugs in miles of old computer code.

—THE WASHINGTON POST.

## A Bigger NATO Doesn't Solve the Kosovo Crisis

By Jim Hoagland

WASHINGTON — History's subconscious was rumbling in Europe and America last week. At almost the same time that the U.S. Senate was obediently ratifying the Clinton administration's flawed NATO expansion plan, Russia was decisively distancing itself from U.S. leadership on the Balkans.

One event did not lead directly to the other. Moscow's historical and ethnic ties with Belgrade would have, in any event, weighed heavily on Boris Yeltsin's refusal to join Washington and four European allies in new threats of financial and military pressure on Serbia to stop bloodshed in Kosovo.

But the two things are linked at a deeper, less visible level of opportunity costs and misplaced focus. In the real world in which the Kosovo crisis occurs, the abstract benefit of NATO expansion is a distracting sideshow.

The NATO expansion argument ended in dignity in Washington. The faulty timing and underdone strategic thinking involved in admitting the Czech Republic, Poland and Hungary to the Atlantic alliance now were clearly outlined by the 19 senators who refused to follow the herd and voted against ratification. America owes John Warner of Virginia, Daniel Patrick Moynihan of New York and the others a vote of thanks for courage and intellectual honesty.

The task now is to make this strategically promiscuous administration live up to its promises that NATO expansion will be militarily irrelevant for Europe's future; that costs for U.S. taxpayers will amount only to tens of

millions of dollars a year far into the future; and that the Russian public will continue to be unconcerned about the placement of NATO's suddenly undefined eastern frontier.

Enter Kosovo, the 90 percent ethnic Albanian southern province of Serbia and one of the many potential files in the ointments promised by the Clintonites.

Kosovo has been pushed to the brink of civil war as Slobodan Milosevic's goons responded to isolated attacks by Kosovo irregulars with harsh collective punishment, destroying hamlets and radicalizing the civilian population.

The Clinton administration has for months chased a diplomatic will-o'-the-wisp by making unity with Britain, France, Germany, Italy and Russia the basis for dealing with Mr. Milosevic on Kosovo. This was an attempt to replicate the Contact Group that provided diplomatic cover for the Dayton peace accord on Bosnia.

Instead, on Kosovo the Contact Group replicated the divisions and confusion of the early years of allied efforts on Bosnia. Secretary of State Madeleine Albright left a deadlocked meeting in Bonn on March 25 seething in anger and vowing never again to engage in "low-level common denominator" diplomacy. The feud ignited between Mrs. Albright and German Foreign Minister Klaus Kinkel in Bonn is likely to endure as long as each remains in office, diplomatic sources predict.

Mrs. Albright's more even-tempered deputy, Strobe Talbott, quickly

launched a tour of Contact Group capitals to undo the damage. His implied threats that the United States would bypass the six-nation steering group had some effect when the Contact Group met again in Rome last week.

Germany, France and Italy agreed at last to join the United States and Britain in threatening to freeze Serbian assets abroad and ban new investments if Mr. Milosevic does not start serious peace talks with the Kosovars immediately.

It was not a great sacrifice by the Europeans. These are symbolic moves that will have no practical effect and will be brushed off by Mr. Milosevic. Even so, the Russians would not join the threats, and again made clear that they opposed any attempt to apply military pressure against Mr. Milosevic over this "internal affair."

As Senator Joseph Biden of Delaware and assorted Senate Pollyannas were explaining how NATO expansion guaranteed Europe's security in the next millennium, U.S. diplomacy that has periodically focused on Europe's hottest real security problem was fizzling out on the ground, and the "partnership fatigue" that now dominates U.S.-Russian relations was being held up for public display.

The United States will next bring Kosovo into NATO discussions on peacekeeping deployments or maneuvers in neighboring Macedonia and/or Albania. The NATO-Russia Council, created in part to pay the Russians off for acquiescing to NATO expansion, will then repeat the deadlock reached in Rome and snarl diplomacy once more.

There is no credible U.S. or NATO

military option that will secure the goals that the Clinton administration has set in Kosovo, which are to force Mr. Milosevic to give the Kosovars great autonomy while forcing the Kosovars to give up their demands for independence.

Strategic bombing is not an instrument for promoting autonomy. Neither is a unilateral deployment of the large peacekeeping force that would be needed to keep Kosovo both calm and part of the truncated Yugoslav state now formed by Serbia and Montenegro.

By publicly endorsing Mr. Milosevic's demand that his state's territorial integrity be respected, Washington agrees that this is an internal affair and gives away its leverage.

Kosovo is thus not a replay of Bosnia, where outside force was effective in shoring up internationally recognized frontiers. Kosovo is Chechnya all over again, with Mr. Milosevic as Yeltsin, preparing to raze his rebellious province before granting great autonomy to the ashes that will be left.

The United States should not fool itself into thinking that it has an effective military option in Kosovo's gathering civil war. It does not.

The only outside power capable of bringing Mr. Milosevic to heel in this situation is probably Russia — which for some reason is not reluctant to send Kosovo turn into a greater crisis, one possessing the potential to split NATO and undermine the U.S. leadership in Europe that Mr. Yeltsin once supported, without reservation.

Wonder why.

The Washington Post.

## The Next Big Euro-Atlantic Task Is to Engage Russia

By Zbigniew Brzezinski

WASHINGTON — After the U.S. Senate's vote to ratify the expansion of NATO, the next historic task for the Euro-Atlantic community is to engage Russia.

This will take time, but success will signal the resolution at last of the fateful dilemma that 20th-century Europe was unable to solve on its own: How to deal with the rise of German and of Russian power.

The problem posed by Germany was put to rest by the founding of NATO some 50 years ago. That act wedded America's security to that of then vulnerable Western Europe, and it made possible the ensuing progress toward European unification.

It is no exaggeration to say that without NATO there would have been no German-French reconciliation, and that without that reconciliation there would be today no European Union.

It was America's physical presence in Europe, confirmed by the North Atlantic Treaty, that gave the Europeans the sense of security needed to permit the full restoration of West Germany to the European club.

Later on, it was also that fact that enabled the Europeans, especially the French, to accommodate themselves to the emergence of a reunited Germany as the leading power of Europe.

The expansion of NATO into recently freed Central Europe similarly now provides the needed confidence for the continuing German-Polish and German-Czech reconciliation. That reconciliation is remarkable in its political pace and social scope. Public opinion polls show that Germany is now ranked by the Poles almost as favorably as America, with Polish fears of a powerful Germany diluted by Germany's firm anchorage in the Euro-Atlantic alliance.

As important to Europe's future is the prospect that NATO's expansion will next prompt a genuine reconciliation between the Russians and their Central European neighbors. Once in NATO, the Central Europeans will no longer fear that closeness to Russia can mean a mortal embrace, a fear deeply rooted in their painful historical experiences.

By the same token, the Russians must be made to feel that the expansion of NATO into Central Europe is neither an intentional nor an unintentional means for the exclusion of Russia from Europe.

It must be made evidently and credibly clear to the Russians that the expansion of NATO and of the European Union are open-ended historical processes, with neither fixed geopolitical nor time limits, and that eventually a more formal association with both is on Russia's political horizon.

Admittedly, in the longer run, inherent in the continued expansion of NATO beyond the first three new Central European members is the prospect of NATO's gradual transformation from an alliance into a wider but still allied Euro-Atlantic security mechanism.

The much larger NATO that could emerge in the course of the next two decades would then reflect (and institutionalize) the new reality of expanded European security and of Europe-wide political reconciliation.

That should not be perceived as an undesirable outcome. After all, NATO was never an end in itself but a means for achieving a worthy goal: a truly secure and reconciled Europe, permanently linked to America.

Accordingly, the United States, as the leading power in NATO, should state explicitly — and not just hint, as it occasionally has — that at some point in the future even Russia's membership in NATO might make sense both for NATO and for Russia.

Once (and if) Russia's democracy has been consolidated, once Russia itself makes the subjective choice in favor of membership, and once it fully satisfies the several objective criteria for membership, the case for withholding access becomes less justifiable, especially following both NATO's and the European Union's further eastward expansion.

A clear statement to that effect would in the meantime also reinforce the case for the gradual inclusion in NATO of such European states as the Baltics or even Ukraine.

A major speech by the U.S. president, outlining how the United States envisages the longer-range relationship between America and Europe and Russia, would have the added benefit of projecting a longer-term strategic vision that Russia currently lacks.

The Russian public does not have a clear notion of where the global scheme of things is postimperial, stably democratic, modern Russia might truly fit.

It is also a fact that many thoughtful Russians do not share the violently anti-NATO perspective propagated in America by various members of the old Soviet foreign policy establishment, and mindlessly echo their American supporters.

A case in point is the sober and thoughtful analysis contained in the authoritative Russian journal "SSHA" (U.S.A.) written late in 1997 by Yefim Davidov of the Russian Federal Academy of Military Sciences.

He ridicules "the hysterical propaganda" that the Kremlin conducted against NATO's expansion, accuses policymakers of having listened too much to American critics of the expansion without taking into account their lack of influence, and predicts that the new NATO members will now "feel more self-confident and secure" and "be able to go much further to meet Russia," thereby paving the way for "our path to Europe."

Mr. Davidov goes on: "One can feel however one wishes about NATO, the United States and Western Europe, but at the same time one cannot but recognize that in the postwar period, through their efforts a broad Euro-Atlantic zone has been created in the world. States of a liberal-democratic persuasion, its constituent parts, have never waged war against one another and do not intend to in the near future. ... It is in Russia's interest to become an organic part of this zone in one form or another."

One can only add: It is also in the West's.

In brief, NATO's expansion should not be viewed as a defeat for Russia but as a major step toward a truly reconciled Europe.

The writer, a fellow of St. Antony's College, Oxford, is the author, most recently, of "The File: A Personal History." He contributed this column to The New York Times.

## Extend the Liberal Order to All of Europe

By Timothy Garton Ash

OXFORD, England — The attempt to create European monetary union points us Europeans toward the unattainable and questionable goal of "unity" in a part of Europe. NATO enlargement steers us toward the desirable and attainable goal of liberal order in the whole of Europe.

It is by now commonplace to observe that Europe lacks the labor mobility, price and wage flexibility and substantial fiscal transfers between states that together make monetary union work in the United States. Nor does Europe have the common language, way of life and single democratic polity that make such things possible.

Euro-optimists argue that the new euro will itself bring about both more economic flexibility, which Continent politicians have largely failed to achieve in their own countries, and more political unification. That is, the currency will create the conditions for its own survival. It's a lot to ask of a little coin.

The underlying gamble is that the failure of monetary union would compel European leaders to take the difficult steps that they have not been prepared to take before. If before 1989 it was the fear of Soviet communism that helped to drive forward West European integration, now it is to be the fear of failure.

Yet this fear is a somewhat abstract threat, especially in a country like Germany, where two-thirds of the population still does not want to give up the strong and well-tried Deutsche mark for the unruly euro.

Actually, the Germans might be glad to have the mark back. And European politics is still national.

The strains of carrying out monetary union will be expressed through national elections. If things go quite well for a year or two, the Euro-optimists will scoff at its doubters. But once it becomes apparent that some countries are doing better than others, and unemployment rises from its already very high levels, populist politicians will blame monetary union.

As we have seen with the successes of the ultranationalist Jean-Marie Le Pen in France and, most recently, of the extreme right-wing German People's Union in Saxony-Anhalt, some politicians are already scoring with such arguments.

If, as seems likely, the German government that emerges from this autumn's elections is a "grand coalition" of Christian Democrats and Social Democrats, then the votes of the discontented will strengthen the extremes of left and right (as happened with the last "grand coalition" from 1966 to 1969), since the two main parties will both be in power. Italian politics is also vulnerable to a growth of both extremes.

Meanwhile, France and Germany are still divided about how the new currency should be managed: by fully independent central bankers, on the Bundesbank model, or partly also by politicians, with an eye to employment and fixing the euro-dollar rate to help boost European exports.

I am not arguing that monetary union will necessarily fall apart under these strains, and Europe with it. But it will be a very rough ride for some years to come.

This is only half the story. The other half is that coping with the strains will continue to divert European leaders' attention from the truly historic task of spreading the liberal order that we already have inside the European Union to the less fortunate parts of the Continent where there is still a real danger of war.

The plain fact is that our leaders set the wrong priority after the end of the Cold War. For 40 years we had lived in a divided house. In the Western half we had renovated, rewired, knocked rooms together, redecorated, while the Eastern half fell apart. Then in 1989 the wall came down.

What did our leaders do? They decided that what the house most urgently needed

was a brand new, computer-controlled system of air-conditioning in the Western half. And while we set about installing it, the poor tenants in the Eastern half were left to deal as best they could, with minimal help from us.

Some, like the Poles, Hungarians and Czechs, managed an incredible feat of do-it-yourself renovation. But others started burning the furniture and fighting instead. We fiddled in Maastricht while Sarajevo began to burn.

Today, nine years later, reports of the last preparations for monetary union compete with those of imminent war in Kosovo.

True, the European Union has finally opened enlargement negotiations with five post-Communist countries: Poland, Hungary, the Czech Republic, Slovakia and Estonia. But the word in Brussels is that the earliest they are likely to join is 2003.

There is a real danger that the voters and special interest groups of Western Europe will balk at the costs of enlargement.

West German taxpayers, for example, have been asked to pay many billions of dollars for unification.

Now they are being asked to accept cuts in welfare spending and to have their savings converted into a currency that will, let's be realistic, be somewhat softer than the mark.

Being asked to pay for enlargement could be the last straw. Right-wing populists — not friends, traditionally, of the Poles or Czechs — are sure to put it that way to voters. So here, too, there is an awkward tension between monetary union and enlargement.

Having come this far, we must try to make monetary union work. But we should remember that Europe has embarked on a course fraught with unnecessary risk.

For all its faults, the European Union is a precious model of liberal order. It is a system with permanent institutional-

ized ways to resolve conflicts, supported by a framework of common law and a common market — something unprecedented in European history. But it is precisely this great achievement that is imperiled by the forced march to unity through money. Here, as so often, the best is the enemy of the good.

Even if monetary union works in itself, it may still hinder us in the immense task of extending the liberal order to the whole of Europe — the task that we should have made our top priority after the end of the cold war.

Fortunately, NATO has stepped in where the EU failed to tread, and the Senate's decision in Washington is reason for celebration. But the rest will be up to us Europeans.

The writer, a fellow of St. Antony's College, Oxford, is the author, most recently, of "The File: A Personal History." He contributed this column to The New York Times.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Manila Defeat

GIBRALTAR — When the first news of the Manila disaster arrived the Spaniards refused to believe it, but finally accepted the fact, and the utmost depression reigned among them, for up to the last moment they stated that the United States navy was useless, disorganized and undisciplined and that its guns were no good. All such nonsensical ideas have been brought up with a sudden jerk which has brought the truth before the people crudely. It is felt that the same fate will meet any Spanish fleet attempting to tackle the Americans' more modern ships in Cuban waters.

### 1923: Chaos in China

PARIS — Conditions in China are reported to be steadily becoming worse. Chaos reigns, and American business houses have been obliged to leave Pek-

### 1948: Negro Victory

PARIS — [The Herald Says in an Editorial:] The Negro has won an important victory. For the first time since 1876 he has the right to participate in the South Carolina Democratic primary elections. The white primary, at least in letter, is dead. In refusing to review lower-court proceedings, the Supreme Court has at last settled the matter of barring the Negro from the polls because he is a Negro. South Carolina was the last to give in.

## A Call for Psychology To Celebrate Victory

By Frank P. ...

NEW YORK — The victory of the Negro in South Carolina is a historic event, but it is not enough. We must now turn to the task of celebrating this victory in a way that will bring about a true reconciliation between the races. Psychology is the key to this task. We must understand the minds of the people, the fears and the hopes, and we must speak to them in a way that will bring about a true understanding of each other. This is not a task for the future, it is a task for the present. We must act now, for the sake of the future.

## Could Neanderthals

By ...

NEW YORK — The discovery of Neanderthals in Europe has led to a new understanding of our own species. It is now clear that we are not alone in the world. There were other people here, other people who lived and died, and whose lives we can now begin to understand. This is a discovery that changes the way we see ourselves and the world around us. It is a discovery that should be celebrated.

## Language

## Joe Six-Pack Bound

By ...

NEW YORK — The Joe Six-Pack is a symbol of American life. It is a symbol of the American dream, of the American way of life. It is a symbol that has brought joy and comfort to millions of Americans. It is a symbol that we should cherish and protect. We should make sure that the Joe Six-Pack is always available to all Americans, for it is a part of our heritage and our identity.

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## HEALTH/SCIENCE

### A Call for Psychology To Celebrate Virtues

By Trish Hall  
New York Times Service

**N**EW YORK — Psychologists rarely think much about what makes people happy. They focus on what makes them sad, on what makes them anxious. That is why psychology journals have published 45,000 articles in the last 30 years on depression, but only 400 on joy. Joy is not covered by insurance, nor does it lead to tenure.

It was not always like that. When psychology began developing as a profession, it had three goals: to identify genius, to heal the sick and to help people live better, happier lives. Over the last half century, however, it has focused almost entirely on pathology, taking the science of medicine, itself structured around disease, as its model.

That is an imbalance, says Martin Seligman, the new president of the American Psychological Association, and one that he is determined to change. Dr. Seligman, a professor at the University of Pennsylvania who is known for his work on optimism, pessimism, learned helplessness and motivation, has a strategy for transforming a profession he thinks has gone awry.

"I believe America is fed up with the victim model and wants to make life better," said Dr. Seligman, who took over the presidency on Jan. 1. "I don't want to cast out the disease model. But we need a science that tells us about human strengths. I want to remind psychologists of normal people."

No one at any of the top university psychology departments, he said, is primarily engaged in studying the three central aspects of people's lives: love, work and play, or in synthesizing what has been learned so that people can make use of their findings.

The three are unusually intertwined in the life Dr. Seligman has created at his sprawling home outside Philadelphia. He lives there with his second

wife, Maundy, and their three young children, whom she educates at home.

Their home classrooms look like those in the best schools, with lots of engaging charts on the walls, artwork everywhere, butterflies in the process of being born and ants wending their way through tunnels, with occasional obstructions from strawberry-peach yogurt.

The children seem to teach him as much as he teaches them. When he had his first two children, who are now 25 and 28, with his first wife, he had almost nothing to do with raising them, he said, because he was obsessed with his professional advancement. Now he makes time for his children, and in the process he has gained a mission in his role at the APA, which has 155,000 members.

Psychology, he said, has been negative "essentially for 100 years." Theories have generally focused on damage, as have techniques for intervention. "Social science has believed negative things were authentic and human strengths were coping mechanisms," he said.

But what he sees in his children are "pure, unadulterated strengths" that are not compensations for trauma, but intrinsic. "I find myself beginning to believe psychology needs to ask, 'What are the virtues? We need to delineate them, assess them, ask causal questions. What are the interactions? How does it grow? Let's talk about growth and questions of strength.'"

In his efforts to raise these questions, he has begun giving speeches in the last few weeks to groups of clinical psychologists, arguing for a new "positive psychology" that would use rigorous scientific methods to study questions that have not been acceptable, questions that have not had financing. Rather than spending \$10 million on, say, phobias and fears, he says, study courage. Citing the standing ovations that have greeted his remarks, he says that the time is right for a transformation.

Dr. Seligman has begun writing grant requests, hoping to establish a research network that will get positive psychology off the ground. He also expects more money for research from the National Institute of Mental Health, which, he said, realizes that the disease model does not offer sufficient insights into prevention. It does not seem possible that changes in the field of psychology could occur in such a structured way. But the current focus of the field, Dr. Seligman said, is believed to have been determined by just a few people.



Dr. Seligman, new president of the American Psychological Association.

"It actually happened at a moment in time," he said, referring to a meeting of the Society of Experimental Psychologists 65 years ago. The chairman of the psychology departments at Harvard, Yale and Pennsylvania State University had a conversation then about applied psychology and agreed that they would not hire people who specialized in that approach. That was the end of significant work in areas like industrial psychology at universities, a field in which psychologists sought to analyze and change the workplace.

At a recent meeting on complementary medicine sponsored by the Northern California Cancer Center and held at Stanford University, David Spiegel, a professor of psychiatry and behavioral science at Stanford, said patients who availed themselves of alternative care were seeking "caring attention, something they are getting less and less of from physicians under managed care." Alternative care practitioners, including acupuncturists, chiropractors, herbalists and massage therapists, spend more time

### Alternative Care: Buyer Beware

By Jane E. Brody  
New York Times Service

**N**EW YORK — Alternative medicine is clearly the largest growth industry in health care today. Last year, 42 percent of American adults used some type of alternative care — herbal therapy, chiropractic, acupuncture, massage therapy or any of a number of other methods not taught in medical school, according to a nationwide telephone survey conducted for Landmark Healthcare Inc., a managed alternative care company in Sacramento, California.

Of the 1,500 adults interviewed in November, 44 percent said they would use an alternative method if traditional medical care was not producing the desired results, and 71 percent predicted that consumer demand for alternative, or complementary, care would be moderate to strong in the future.

While most doctors shun such care and question its merits and reliability, Americans are voting with their feet and pocketbooks. Studies have shown that patients make more visits each year to alternative care practitioners than to primary care physicians, and most of them pay out of their own pockets for the care they receive. But now, in response to the growing demand and in hopes of reducing health care costs, more health plans are including options for alternative methods, and some U.S. hospitals have complementary care clinics.

At a recent meeting on complementary medicine sponsored by the Northern California Cancer Center and held at Stanford University, David Spiegel, a professor of psychiatry and behavioral science at Stanford, said patients who availed themselves of alternative care were seeking "caring attention, something they are getting less and less of from physicians under managed care." Alternative care practitioners, including acupuncturists, chiropractors, herbalists and massage therapists, spend more time

with patients — 30 minutes on average, or 4 times more than physicians now devote to each patient, Dr. Spiegel said.

According to a 1993 study by the Kaiser-Permanente health care system, 56 percent of those who seek alternative care suffer chronic pain and 22 percent cite stress or a mental health problem as their chief complaint. Among the most common problems are back pain, anxiety, allergies, arthritis, depression and insomnia. Evidence is mounting that alternative techniques like acupuncture, hypnosis and some herbal remedies can help relieve such conditions.

But disastrous consequences can come from an uneducated and careless foray into alternative medicine. Here are some important issues to keep in mind:

• Be sure you have received a correct diagnosis from a conventional doctor before seeking alternative care. Medical literature is filled with stories of people receiving months of useless alternative remedies as an undiagnosed cancer grew unimpeded.

• Tell your medical doctor about any alternative methods, including dietary supplements, you are thinking of using.

• No matter what you may be told by a friend, neighbor or alternative care practitioner, never stop an existing treatment without first consulting the doctor who prescribed it.

• Don't be fooled by the word "natural." Natural is not synonymous with safe. Arsenic, pennyroyal, botulinum toxin and urushiol (the rash-inducing substance in poison ivy) are natural — and highly poisonous.

Furthermore, because companies in the United States are not allowed to make health claims for their products, they are also not required to warn consumers of possible side effects or interactions. To make matters worse, the Food and Drug Administration, which cannot require premarket clearance based on tests of safety and effectiveness for any dietary supplement, can act against a product only after a disaster.

## Could Neanderthals Talk? Fossil Record Suggests a Resounding 'Yes'

By John Noble Wilford  
New York Times Service

**N**EW YORK — While scientists agree that speech is probably the most important behavioral attribute that distinguishes human beings from other animals, they have been at a loss to determine when and how that transforming evolutionary step occurred.

They have probed the human brain and compared it with casts of the braincase from ancient fossil skulls. They have compared bones and muscle attachment points in the throats of humans, apes and ancestral human skeletons. Archaeologists have examined patterns in early stone tools for clues to when humans might have developed the creativity and the self-awareness usually associated with communication skills like speech.

These findings, moreover, indicate that Neanderthals, relatives of modern humans, could have had the same gift for speech. Their extinction about 30,000 years ago has often been attributed in part to

speech deficiencies, restricting their ability for cultural innovation. In a report in The Proceedings of the National Academy of Sciences, the Duke anthropologists say that if their interpretation of the tongue nerves is correct, "then humanlike speech capabilities may have evolved much earlier than has been inferred from the archaeological evidence for the antiquity of symbolic thought."

The research was conducted by Richard Kay and Matt Cartmill at the Duke Medical Center in Durham, North Carolina, with the assistance of a former student, Michelle Ballow. The results were also described earlier this month in Salt Lake City at a meeting of the American Association of Physical Anthropology.

"This is evidence for the proposition that Neanderthals could talk," Mr. Cartmill said in a telephone interview.

"Did they sound like modern humans? I don't know."

Anthropologists familiar with the research said the findings were interesting and exciting. Some were reserving judgment, but not Erik Trinkaus, an anthropologist at Washington University in St. Louis, Missouri, who specializes in Neanderthal studies. "I think it's not only a reasonable conclusion," he said, "but one long overdue."

Mr. Trinkaus said previous research had been based on deficient anatomical reconstructions, none of which adequately took into account the neurological aspects for controlling the vocal tract to allow for speech.

As for the possibility of speech by archaic Homo sapiens 400,000 years ago, even before Neanderthals, he said this was consistent with a significant enlargement of brain size in that period, the appearance of a more complex

tool technology and migrations into colder climates, where life probably depended on greater planning that could be related to advances in communications skills.

On the other side, Philip Lieberman of Brown University, an authority on early language, has argued that the Neanderthal throat would not have been well suited for the production of the vowels a, i and u. But Mr. Trinkaus contended that a species would not have needed modern English's range of vowels to have speech and language.

**E**VEN the discovery in Israel a decade ago of a Neanderthal skeleton with a large hyoid bone, which is in the throat and associated with speech, had not settled the issue of Neanderthal speech. Scientists had said there was still insufficient fossil evidence to enable an understanding of how the large hyoid bone might have influenced the production of vocalizations.

Mr. Cartmill cautioned that the new evidence for earlier human speech "is suggestive but, in the present state of our knowledge, it is not proof."

Other scientists noted that other, independent evolutionary developments, including a lengthened larynx, enlarged prefrontal brain lobes and some reconfigurations of the brain, would have been critical to the emergence of speech. The size of the brain of Neanderthals was well within the range of that of modern humans.

The Duke scientists direc-

ted their research at the hypoglossal canal in all primates. It is a hole at the bottom of the skull in the back, where the spinal cord connects to the brain. Through the canal run nerve fibers from the brain to the muscles of the tongue.

It occurred to the scientists that the size of the hypoglossal canal might serve as an index of the vocal abilities of modern and early humans. The wider the canal, they assumed, the more nerve fibers there could be to control the tongue muscles. And the more nerves, they further suggested, the finer control the species could have over its tongue for the purpose of making speech sounds.

On the basis of comparative measurements of hypoglossal canals of modern humans, apes and several human ancestor fossils, the researchers concluded that the canals of modern humans are almost twice as large as those of modern apes — the chimpanzee and the gorilla — which are incapable of speech. They also found that the canal size of australopithecines, earlier human relatives that died out about one million years ago, did not differ significantly from that of chimpanzees.

The results, the scientists reported, "suggest minimum and maximum dates for the appearance of the modern human pattern of tongue motor innervation and speech abilities."

To narrow the range, the scientists examined skeletons of Neanderthals and also of species of the Homo genus that lived as much as 400,000

years ago. These included Kabwe specimens from Africa and Swanscombe fossils from Europe. Their hypoglossal canals fell within the range of those of modern Homo sapiens.

"By the time we get to the Kabwe, about 400,000 years ago, you get a canal that's a modern size," Mr. Cartmill said. "And that's true of all the range of those of modern Homo sapiens, including Neanderthal."

## LANGUAGE

### Joe Six-Pack Bounces John Q. Public

By William Safire

**N**EW YORK — "If I were just a private citizen — Joe Six-Pack," President Bill Clinton told Time magazine after Paula Jones's lawsuit against him was dismissed by a judge in Little Rock, "I would have mixed feelings about not getting a chance to disprove these allegations in court."

However, Clinton explained on Air Force One, he did not have mixed feelings as president because he was not Joe Six-Pack and had to put the nation's interests before his own.

This was not the first time Clinton used the subjunctive mood, or presidential conditional, in speculation about what his reaction would have been about what he had not been a resident of 1600 Pennsylvania Avenue.

Essentially, Clinton used a colorful modern locution to contrast his highly responsible chief executive position with that of the average person having plenty of time to spare, whose name once was *Everyman*.

In Dutch and English morality plays of the 15th century, *Everyman* — when called by Death — asked his fair-weather friends Beauty, Kindred and Worldly Goods to accompany him, but they turned him down. One friend, however, loyally agreed, and together Good Deeds and *Everyman* entered Heaven.

Only the Devil has more aliases than the average person.

The Chinese call him *Old Hundred Names*, the Russians *Ivan Ivanovich*, the French *Monsieur Tout le Monde*, the Germans *Otto Normalburger* or *Jeckelmann* and the Dutch *Eelckkerlijck*. As *the man in the street*, he made his appearance in 1831 and was popularized a decade later by Ralph Waldo Emerson in his essay on self-reliance, playing on John Bunyan's metaphor about the man with the muckraker.

"The man in the street does not know a star in the sky." He signs checks *John Doe* (on a joint account with *Jane Doe*), the editor *William Allen White* in 1937 called him *John Q. Public*, and in 1883 the Yale sociologist William Graham Sumner named him *the forgotten man*, a moniker that Franklin Roosevelt adopted while campaigning for president in 1932 (before beer was sold in cardboard containers of six bottles).

His first name soon changed to *Joseph*. *The average Joe* appeared as *Joe Blow* (1867), *Joe Doakes* (1926), *Joe College* (1932), *G.I. Joe* (1943) and, in Britain, *Joe Bloggs* (1969). Though *Joe Zilch* (1925, probably a play on zero) and *Joe Schmo* (1950, rhyming with hometown Kokomo) are derisive, *Joe Cool* (1949) gets respect. This assumption that *Joe* is average seems outdated because *Joseph* is a given name declining in vogue; if current averageness were the criterion, we might expect the average *Michael* or *Brian Six-Pack*.

A *six-pack* (which still takes a hyphen, but not for long) is a half-dozen bottles or cans, often of beer, packaged to be purchased as a unit. Beer is traditionally *Everyman's* alcoholic beverage, slurped up noisily or chugged breathlessly by those who swear at effete elitists with "champagne tastes." Hence, the affinity of the plebeian *Joe* with the symbol of beer purchased in quantity, the *six-pack*, a word coined in 1952.

Step aside, *Geeks*, writes Deborah Branscum in Newsweek. Internet telephony is looking for *Joe Six-Pack*. (The writer contrasts the high-tech-technology *geek* with the average clumsy person.) In the same way, Robert Lusk, a criminal defense attorney, was quoted in The Washington Post as saying, "You ought not to be indicting the president of the United States for things that you don't indict *Joe Six-Pack* for." Obviously, *Mr. Six-Pack* has belied up to the bar of usage and

elbowed aside *John Q. Public* and all the *Joes*.

Who invented him? The Oxford English Dictionary is silent; the Random House Historical Dictionary of American Slang has a citation in The Los Angeles Times from as early as 1977.

"Herewith *Joe Six-Pack's* birth certificate," writes Martin Nolan, the reporter and frequent writer on language at The Boston Globe. He attaches an article in that newspaper dated Aug. 28, 1970, about Joe Moakley, then a state senator who was campaigning against Louise Day Hicks for the congressional seat held by Speaker John McCormack.

"Moakley plans to make Hicks the major issue in the campaign," wrote Nolan, then at The Globe's Washington bureau, "talking about issues in the media and shouting in *Joe Six-Pack's* ear to wake up and face the unsimplistic facts of life." The headline over the Nolan story was "After the Soul of *Joe Six-Pack*."

"The guy I heard it from," writes Nolan, "now long dead, threatened to sue if I quoted him. He must have known something. The initial mail in 1970 was all negative, accusing me of using Irish (and Polish!) ethnic stereotypes."

And what happened to Joe Moakley? "He really does qualify as *Joe Six-Pack*. Joe does not follow Beltway culture or cuisine and seems the same as he ever was. He lost to Louise Day Hicks that year and had to run as an independent in 1972, winning suburban votes to defeat her by fewer than 3,500 votes.

"Thus, the heir to John McCormack, the protégé to Tip O'Neill and the future chairman of the House Rules Committee began his career in Congress as sort of a (gasp!) reformer." Major coinage found, triggered by a president's use. A happy day. New York Times Service

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## A Stumble at the Start / The French President Prevails

## Chirac Exits Brussels With a Victory, His Reputation as a 'Bulldozer' Intact

By Craig R. Whitney  
New York Times Service

BRUSSELS — If Europe gave out awards to politicians who shoot themselves in the foot, President Jacques Chirac of France might take the prize.

Two years ago, Mr. Chirac announced that France would like to rejoin the military structure of the NATO alliance 30 years after it pulled out. Then he immediately made that impossible by demanding the senior NATO post in the Mediterranean for France, the Southern Command in Naples. It had always been held by an American Navy admiral, since it would control the U.S. Sixth Fleet in wartime, and after Washington refused to give up the Naples post, France decided to stay where it is — half-in and half-out of the North Atlantic Treaty Organization.

Last year, Mr. Chirac, whose conservatives controlled both houses of Parliament, the government in Paris, and a majority of the regional assemblies around the country, threw the electoral dice and called national legislative elections in a gamble to win a mandate for austerity moves to get France ready for a common European currency.

The move was seen as one of the most colossal blunders in French political history. Fed-up voters threw out Mr. Chirac's prime minister, Alain Juppé, and voted for a leftist majority, forcing Mr. Chirac to share power with a Socialist prime minister, Lionel Jospin.

This year, the Gaullist parties that brought Mr. Chirac to the presidency three years ago have collapsed in recriminations about accepting support in regional assemblies from the extreme-right National Front. Even Paris, a Gaullist fiefdom that Mr. Chirac ruled as mayor for 18 years, is now in danger of falling to the Socialists in the next municipal elections, in 2001.

The president has long been nicknamed "the bulldozer." Franz-Olivier Giesbert, a biographer, once wrote of him, "Jacques Chirac charges through politics without baggage or memory."

Only a few years ago Mr. Chirac was opposed to the common currency as an unacceptable diminution of French sovereignty. But when European Union leaders gathered over the weekend in Brussels to decide to start the euro, the bulldozer went into action again, with results that had even some French officials shaking their

heads in disbelief when the rubble settled at about 2 A.M. Sunday morning.

For months, Mr. Chirac has been telling his compatriots that Europe needed a strong new currency to face up to the dollar on world financial markets and end the virtual dictation of international trading terms by the United States.

Germany, which has the strongest European currency to lose when the euro replaces the Deutsche mark four years from now, was a bit uneasy about the blunder.

But Chancellor Helmut Kohl, battling for a fifth term in elections next September, needs to be able to reassure German voters that the euro will indeed be as sound as the Deutsche mark, so he insisted on a European central bank with impeccable anti-inflationary credentials to run it: Wim Duisenberg of the Netherlands, which has pegged its currency to the Deutsche mark since 1983.

Mr. Duisenberg was enthusiastically accepted as head of the new European Central Bank's predecessor institution in Frankfurt by all 15 European Union central bankers, including the president of the Bank of France, Jean-Claude Trichet.

But Mr. Chirac was furious at what he saw as an attempted coup d'état by technocrats that

would preempt him and his fellow European politicians from making the final decision. His Socialist government, which wanted more political control over the independent European Central Bank anyway, supported him. Mr. Chirac also was determined not to allow a candidate to be imposed by the Netherlands, a country that gave Mr. Chirac fits when he briefly resumed French nuclear testing in the Pacific in 1995.

Prime Minister Wim Kok also has irked Mr. Chirac by demonstrating a permissive attitude toward marijuana and hashish in Amsterdam, where drugs easily find their way to France now that continental Europe has all but eliminated border controls.

Last year, Mr. Chirac nominated Mr. Trichet to run the new bank when it starts operations next July 1. He pressed for the nomination even after it became clear this year that only France among the 11 countries that will start the new currency was not prepared to accept Mr. Duisenberg for a full eight-year term.

Mr. Chirac bulldozed on even after Hans Tietmeyer, the head of the Bundesbank, Finance Minister Theo Waigel and other German leaders warned that his dissension was weakening

the central bank, and potentially the euro. And he chugged into Brussels last weekend, his Socialist finance minister and foreign minister beside him, determined to force France's 14 European Union partners to agree to a central bank under which, if Mr. Trichet couldn't have the central bank presidency for the full eight years, he would at least have it for four.

Mr. Chirac was relentless in 12 hours of what a spokesman for Britain's prime minister, Tony Blair, called "hard pounding" for the only solution France would accept: an agreement to let Mr. Duisenberg have a four-year term but agree to step down after four years and be replaced by Mr. Trichet. Mr. Waigel and Mr. Kohl fought the move as a fatal weakening of the statutory independence of the central bank laid down in the 1992 Treaty on European Union to protect it from precisely this kind of political interference.

"It's not good at all for the European Central Bank to begin like that," asserted José María Gil-Robles, president of the European Parliament and one of many who warned that the credibility of the bank, and therefore the euro itself, could be badly damaged by the battle Mr. Chirac waged to put a Frenchman at the bank's head after 2002.

## DEAL: The Euro Is Born Under a Shadow

Continued from Page 1

would "voluntarily" step down after four years.

Agreed that a Frenchman, Christian Noyer, would be vice president of the bank for four years and that Mr. Trichet, now the governor of the Bank of France, would succeed Mr. Duisenberg for a full eight-year term.

Analysts said the blatant and ultimately successful French pressure in favor of Mr. Trichet would make it difficult for Mr. Kohl, facing a tough re-election campaign this year, to convince Germans that the European Central Bank was as independent as the Bundesbank, which it will replace when the euro comes into being Jan. 1.

"I can hardly believe it," said a Bundesbank spokesman, Manfred Koerber.

German diplomats explained that Mr. Kohl had gone along with the deal to avoid sinking a project that would complete his overarching vision of a Europe united and at peace.

The decision made at the summit meeting still needs the approval of the European Parliament, whose president, Josep Maria Gil-Robles of Spain, angrily said that the bank had begun life like a malformed child.

"I would say it's no good at all for the European Central Bank to begin like this," he said.

EU sources said it was highly unlikely that the Parliament, which approved the 11 countries for euro membership Saturday, would vote against the decision by the heads of states.

When Mr. Chirac said at a news conference that Mr. Duisenberg had announced that he wanted to step down for "personal reasons" after four years, the roomful of journalists burst into laughter. "It is not a laughing matter," Mr. Chirac said sternly. The president defended his obduracy, saying that in a Europe of nations, "it is up to each nation to defend its own interests." With one of the most important economies in

Europe, he said, France had an absolute right to place its representatives among those setting up the new currency.

"This is not nationalism but realism," Mr. Chirac said.

The outlines of the deal appeared late Friday evening after Mr. Blair held talks in the Hague with Prime Minister Wim Kok of the Netherlands.

The Maastricht Treaty on European Union states that the president of the central bank must be appointed for eight years and that the term cannot be split; so what ensued was what a French spokesman described as a "political" rather than a "juridical" agreement not to split the term but to ensure that the incumbent would agree to serve only part of it.

The deal presented an almost insurmountable problem for Mr. Kohl, who has had too many problems with Germany's Constitutional Court to risk going home with an agreement open to legal challenge. He therefore rejected a French demand that the date of Mr. Duisenberg's departure be pre-established and written into the official minutes.

Mr. Chirac was eventually satisfied by a compromise in which Mr. Duisenberg went before the assembled government leaders to proclaim:

"I want to thank you for the honor of nominating me for the function of president of the ECB on this historic occasion. I explained to Prime Minister Tony Blair that I will, in view of my age, not want to serve the full term."

Mr. Duisenberg, 63, said the decision was "entirely of my own free will, and mine alone, and not under pressure from anyone." Similarly, he said, his decision to resign in the future "will be my decision alone." He added, "This must be clearly understood."

Asked what France would do if Mr. Duisenberg changed his mind about resigning, Mr. Chirac commented, "We shall see." But he said he would be astonished if this were to happen. He said Mr. Duisenberg had agreed to step down between Jan. 1 and July 1, 2002.

Mr. Gil-Robles said the deal skirted



President Jacques Chirac and Finance Minister Dominique Strauss-Kahn of France sharing a joke in Brussels.

the spirit if not the letter of the Maastricht Treaty.

Mr. Blair, who has ruled out British membership in the single currency until at least after the next British election, found himself in the paradoxical position of having to rescue the project. He said at a news conference, "It is essential right at the beginning that we make this very clear statement that the euro is a strong currency and that the provisions of the treaty be upheld in full."

He added, "When Mr. Duisenberg decides to go, it is his decision and his decision alone."

Mr. Chirac insisted that France's quarrel was not with Germany but with the Netherlands. However, it was clear from the outset that Mr. Duisenberg was the preferred candidate of the German government and the Bundesbank.

There was no suggestion here that Mr.

Trichet's commitment to monetary stability was any less serious than Mr. Duisenberg's. Analysts said the caliber of the central bank's newly appointed executive board was reassuring. Apart from Mr. Duisenberg and Mr. Noyer, a senior French civil servant, the board comprises the Bundesbank's chief economist, Oskar Issing; the governor of the Finnish Central Bank, Sirka Hamalainen; the president of the Italian stock exchange council, Tommaso Padoa-Schioppa, and a member of the Bank of Spain's executive council, Eugenio Domingo Solans.

Finance ministers said they would use the existing central rates in the European exchange-rate mechanism as the value of the national currencies when they convert to the euro Jan. 1.

Countries wishing to join the euro must belong to the exchange-rate me-

chanism for two years. It allows fluctuations of a maximum of 2.5 percent in value above or below the central rates.

Once the euro is adopted, this margin for maneuver will be removed. National currencies will effectively become sub-units of the euro during the three-year period before euro bank notes and coins are introduced. There will therefore be no further movements between one currency in the euro zone and another after Jan. 1.

The ministers said "central banks would use 'appropriate market techniques' — buying and selling — to nudge currencies toward the exchange-rate mechanism's central rate in the next eight months. Money market sources said the rates were realistic, and they said they expected little or no market volatility as the introduction of the euro drew near.

## COMPROMISE: EU Undercuts Banker

Continued from Page 1

Bundesbank and the political main stream in Germany.

In news conferences and discussions with reporters, the participants suggested that nothing had taken place beyond the traditional range of compromise within the European Union and that, considering the importance of the event, the 11 hours of struggle and sometimes harsh exchanges were not out of order. In a few weeks, they said, the skirmishing would be forgotten and the single currency of its way to success. All other interpretations, they said, were overdone.

In fact, the compromise went to the issue of Mr. Duisenberg's reputation and authority. In a matter of hours here, the "time-sharing" solution, which he and his backers had so long described as unacceptable if Europe's great monetary leap forward were to win worldwide respect, became the one that the EU's leaders chose. In the history of deal-cutting within the community, which normally has resulted in somewhat equitable shares for all the participants, here was a startling arrangement in which the key participant emerged as a diminished, devalued figure.

Journalists openly guffawed when Mr. Chirac told them that Mr. Duisenberg's agreement to leave his post after four years reflected his own personal decision. Euro News, the television cooperative grouping several European public channels, caught the sense of failure and blushing compromise, describing the summit meeting as a sad event. The commentator Gerd Pelletier went further, saying live on Germany's main state-run television network: "This was supposed to be a great day for Europe, but it was a public-relations catastrophe. This is going to be very hard for Mr. Kohl to explain to the voters."

But if circumstances left monetary union's most idealistic supporters cringing in embarrassment, they appeared to have the greatest direct political effect for Mr. Kohl.

Having strongly supported Mr. Duisenberg as the best possible guardian of the single currency's rigor, and promised his electorate that the euro would be as strong as the Deutsche mark, Mr. Kohl came out of the meeting having to deal with the reality of France's having secured an eight-year term for Mr. Trichet and the vice presidency of the bank for another French candidate, Christian Noyer.

Mr. Kohl had to explain not only why Mr. Duisenberg's period in office had been cut in defiance of his expressed wishes but also why so much management responsibility was going to representatives of a French administrative caste that had been described within his own governing alliance as determined to bring the new bank under political control.

Mr. Kohl had almost no ground for maneuver and appeared stuck with a political defeat. Gerhard Schröder, his opponent for the chancellor's office in the September elections, as early as last year staked out a position on French influence over the central bank, saying, "The French attempt to turn the European Central Bank into a vassal of a political body breaks the Maastricht treaty."

The German need to regain terrain increased the likelihood of clashes between Bonn and Paris on the strict interpretation of the Stability and Growth Pact, which requires the monetary union's participants to hold to strict debt and deficit targets, and on the powers of the so-called Euro-X council of the 11 countries participating in monetary union that France is depicting as a political oversight body for the new bank.

For the rest of the community, which had watched the day turn into what Prime Minister Jean-Luc Dehaene of Belgium called "not such a brilliant spectacle," there was only the sense of a botched occasion and the hope that it would not be a lasting blight on Europe's hopes.

## SCORN: Wide Discontent

Continued from Page 1

The premier of the state of Bavaria, Edmund Stoiber, Mr. Kohl's ally, also derided the compromise, which he said had "thrown shadows over the start of the currency union."

Prime Minister Wim Kok of the Netherlands, whose Labor Party seeks re-election Wednesday, came under renewed attack from his opponents.

"The deal has a bad smell and was reached under political pressure," Arie Oostlander, a member of the opposition Christian Democrats in the Netherlands, said in a radio interview.

Mr. Duisenberg's acceptance of a shortened term breached the Maastricht treaty, Mr. Oostlander said.

He described the French stance as an "outburst of nationalism."

The European Parliament president, Josep Maria Gil-Robles, compared the deal to the birth of a deformed baby and said he had "no doubt" that it breached the spirit of the treaty of Maastricht. "I would say it is no good at all for the European Central Bank to start like this," Mr. Gil-Robles said.

EU colleagues complained that the British government, which holds the EU's six-month revolving presidency, had failed to avoid a diplomatic embarrassment.

Britain's prime minister, Tony Blair, who presided over the summit meeting, was "ill-prepared," said Prime Minister Romano Prodi of Italy.

Luxembourg's prime minister, Jean-Claude Juncker, said the British prime minister had not sufficiently briefed some fellow leaders on the proposed deal.

One economist said the "procedural farce" was bound to antagonize the Bundesbank, whose officials had warned Mr. Kohl last week to avoid injecting any politics into what supposedly is a politically insulated institution.

"I can hardly believe what I have heard on the news so far," said the Bundesbank spokesman, Manfred Koerber. He declined to comment further.

The Bundesbank will most likely react when its president, Hans Tietmeyer, speaks Tuesday in Frankfurt or when the German central bank's chief economist, Oskar Issing, appears in the European Parliament this week for hearings on his nomination to the European Central Bank board.

For Mr. Kohl, the inability to fend off the French amounts to a bitter defeat. Mr. Kohl has "lost trust over his foreign policy," said Ingrid Mattheus-Maier, public finance spokeswoman for the Social Democrats.

Mr. Kohl's dominance of European



Chancellor Helmut Kohl of Germany going through his papers as Finance Minister Theo Waigel looks on after the EU leaders' meeting in Brussels.

diplomacy had been one of the few remaining strong points in his re-election campaign, with a consistent record of forcing concessions on the French. Already trailing by wide margins in the polls, Mr. Kohl's domestic initiatives have failed for the past two years.

Scorn over the central bank post threatens to undermine Mr. Kohl's next major drive in the form of a weeklong national marketing campaign that begins Monday for the euro.

But one of Mr. Kohl's strongest supporters, Hans-Olaf Henkel, president of

the German Federation of Industry, said the shortened terms "casts a shadow over the central bank's much-prized autonomy."

Clinton Hails Progress to Euro

President Bill Clinton welcomed Sunday the announcement that 11 European leaders agreed to create a single currency, and said a strong and stable Europe was in the best interests of the United States, Reuters reported from Washington.

The United States has long supported European integration," he said.

## CANCER: Drugs Raise Hopes for a Cure

Continued from Page 1

So far, the drugs are the only ones ever tested that can seemingly eradicate all tumors in mice, even gigantic ones, equivalent to a two-pound (900-gram) growth in a person. The best that other cancer drugs have done is slow the growth of these large tumors.

But even the drugs' discoverer, Dr. Judah Folkman, a researcher at Children's Hospital in Boston, is cautious about their promise. Until patients take them, he said, it is dangerous to make predictions. But he knows for sure, he said, is that "if you have cancer and you are a mouse, we can take good care of you."

Other scientists are not so restrained. "Judah is going to cure cancer in two years," said Dr. James Watson, a Nobel laureate who directs the Cold Spring Harbor Laboratory, a cancer research center on Long Island, New York. Dr. Watson said Dr. Folkman would be remembered along with scientists like Darwin as someone who permanently altered civilization.

The long trail to the discovery of the new drugs began more than 30 years ago when Dr. Folkman became obsessed by what many saw as a quixotic notion: that cancers cannot grow beyond the size of a pinhead unless they have their own blood supply. If he could block a tumor's blood supply, he reasoned, the tumor should shrink to a minuscule size.

The first major break in the efforts came a decade ago when Dr. Folkman and his collaborators found drugs that did what he envisioned. He called them anti-angiogenesis drugs because they stopped the process of developing new blood vessels, or angiogenesis. They slow tumor growth in animals but do not eradicate the tumors. Early results in patients indicate that the drugs may slow human cancers, too. Dozens of companies are developing such drugs.

The results with these weaker drugs were "a proof of principle," said Dr. Bart Chermow, a professor of medicine and dean for research and technology at Johns Hopkins University School of Medicine. Dr. Chermow is a founder of Entremed, a company formed to make and market angiostatin and endostatin as well as some of the weaker drugs that can slow cancer growth.

And the drugs seem to have no side effects, at least in mice, something that Dr. Folkman acknowledges is hard for researchers to believe. But he said, he had given mice up to four times the doses needed to eliminate cancer and could not find any adverse effects.

The two human proteins may be, he said, "exquisitely aimed" — we do not know why — at cancer.

In contrast, Dr. Folkman said, mice become very ill when they receive commonly used chemotherapy: their hair falls out, they bleed, they refuse to eat. For the past four years, Dr. Folkman said, he and his colleagues found that all tumors responded to the drugs in the same way. Even leukemia, a blood tumor, responds, he said, because it turns out that leukemia needs to form new blood vessels in the bone marrow to grow.

But Dr. Folkman is the first to urge caution in leaping to conclusions about what might happen when patients try the drugs. "Going from mice to people is a big jump, with lots of failures," he said. Hopes were high for chemotherapy drugs that worked well in mice but turned out to be less successful in people. Therapies that used the immune system to rid the body of cancer also worked in mice but were disappointing when they were tried in people. Gene therapy treats mouse cancer, but has had limited success in people. From bitter experience, most cancer researchers have learned to be leery of what one called "that four-letter word" — cure.

## MIDEAST: U.S.-Israel Confrontation Feared if London Meetings With Albright Fail to Reactivate Peace Process

Continued from Page 1

On Sunday in Israel, Mr. Netanyahu's spokesman, David Bar-Ilan, said that "it would be utterly impossible for Israel to adhere to a withdrawal of 13 percent," but that Israel was hoping for "some incremental progress" in London on such issues as a Palestinian airport and seaport in the Gaza Strip and an industrial park on the Israel-Gaza border.

Mr. Rubin, however, said that the Americans "are interested in the views of Mr. Netanyahu" and that the focus of

the London meeting is the American agenda, "not the airport."

The Palestinians currently control about 27 percent of the West Bank, seized by Israel from Jordan in the 1967 Arab-Israeli war, and Israel, 73 percent. Mr. Netanyahu says he cannot, on security grounds, hand over more than another 9 percent before final status talks begin, but privately has told Mr. Clinton he might be able to swing 11 percent.

But U.S. officials do not think Mr. Arafat could get away with much less than 13 percent, even though, under the 1997 Hebron accords, Washington recognized that Israel has the sole right to determine the size of its redeployments under Oslo.

The American proposal, never publicly revealed but widely leaked, calls for a three-stage withdrawal.

In the first five weeks, Israel hands over to the Palestinians 1.9 percent from Area C (West Bank land under complete Israeli control) to Area B (land under Palestinian political control but with security under Israeli control). Israel will also hand over 0.1 percent from Area C to Area A (land under complete Palestinian political and security control).

Israel will also hand over 7 percent from Area B to Area A.

In return, Mr. Arafat will order a ban on all kinds of "encitement" to violence in the Palestinian Authority and the Palestinian Executive Committee will reconfirm changes in the Palestinian Covenant by canceling all clauses calling for Israel's destruction.

From the sixth to the eleventh week, Israel will hand over another 5 percent from Area C to Area B. In the 12th week, presuming both sides meet their obligations, Israel will hand over another 5 percent of the West Bank from Area C to

B. It will hand over another 1 percent from Area C to A.

It will transfer another 5 percent from Area B to A. And both sides will begin accelerated negotiations on a final settlement between them, to be finished before next May.

So in the end, 13 percent would be transferred from Area C, and Area B will remain, after shifts of land to A, at 23 percent.

On Saturday, Mr. Rubin spoke pessimistically about a breakthrough here, and said that "there are grave dangers" in continued stalemate.

## A Stumble at the Start / Blair's Role in

By Tom Ricks

LONDON — Just as Tony Blair's role in the European Central Bank decision was being debated, the British prime minister was also being criticized for his role in the Maastricht Treaty negotiations. Blair's role in the negotiations was seen as a key factor in the decision to appoint Mr. Duisenberg as the first president of the central bank. Blair's role in the negotiations was seen as a key factor in the decision to appoint Mr. Duisenberg as the first president of the central bank.

## Central Bank Del

By Tom Ricks

Mr. Duisenberg's role in the central bank decision was seen as a key factor in the decision to appoint him as the first president of the central bank. Mr. Duisenberg's role in the central bank decision was seen as a key factor in the decision to appoint him as the first president of the central bank.

## Duisenberg: From

By Tom Ricks

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## Bank's Team of Inflation

By Tom Ricks

Mr. Duisenberg's role in the central bank decision was seen as a key factor in the decision to appoint him as the first president of the central bank. Mr. Duisenberg's role in the central bank decision was seen as a key factor in the decision to appoint him as the first president of the central bank.

## A Stumble at the Start / Britain's Awkward Moment

# Blair's Role in Bank Deal Fails to Clarify Country's Position in EU

By Tom Buerkle  
International Herald Tribune

LONDON — Just over six months ago, Prime Minister Tony Blair appeared to have hit on an elegant solution for resolving Britain's dilemma over the single European currency.

By claiming to support British participation in principle but deferring a final decision until after the next general election, due by 2002, his Labour government last October gave itself ample time to bring Britain's economic cycle into line with the Continent's. The so-called prepare-and-decide strategy also tormented the opposition Conservative Party, which remains deeply split over the principle of monetary union.

But after the weekend decision that formally approved 11 European Union countries to introduce the euro next January, Britain's position now looks increasingly awkward and isolated, while Mr. Blair has been jolted by some unusually harsh criticism.

In the absence of any clear timetable or exchange rate for British entry into Europe's monetary union, the pound has soared on currency markets, damaging industry's competitiveness and raising the threat of recession.

The government last week reported a trade deficit of \$2.2 billion (\$3.67 billion) in February, the worst in seven years, while the Confederation of British Industry said business confidence had plummeted to levels not seen since the depths of Britain's last recession in 1992. A new recession now is a "significant risk," according to Malcolm Levitt, euro adviser at Barclays Bank. "Export orders are collapsing."

The summit meeting in Brussels also highlighted the possibility of Britain's political marginalization, Mr. Blair says

he wants Britain to be at the heart of Europe, and as holder of the EU presidency he presided at the meeting and helped mediate the agreement to appoint Wim Duisenberg as president of the European Central Bank.

But the real decision-makers were Chancellor Helmut Kohl and President Jacques Chirac, evidence yet again that the single currency has always been a French-German project. Before the ink had dried on the deal, moreover, Chancellor Viktor Klima of Austria announced that his government would take immediate control of euro issues from Mr. Blair because Austria, the next EU president, is a charter euro member.

Mr. Blair's secondary role was "a classic example of Britain's participation in EU institutions," said Malcolm Bruce, a senior member of the Liberal Democratic Party. "Other people formulate the rules; we join later and complain about it."

The complaints started immediately on Sunday as euro opponents in Britain decried the fact that Mr. Blair had agreed to a compromise that gave Mr. Duisenberg only a partial term as central bank president. The opposition Conservative Party called the deal "a blatantly political fudge."

Even more startling for a prime minister still basking in the glow of last month's Northern Ireland peace agreement, some EU leaders openly criticized Mr. Blair's stewardship of the Brussels meeting. Prime Minister Romano Prodi of Italy called Mr. Blair "ill-prepared," while Mr. Klima said experienced EU hands "had never seen anything like it." Initial proposals put forward by Mr. Blair's team referring to a shorter term for the central bank presidency "had to be dropped when they were deemed illegal," he said.



Foreign Secretary Robin Cook of Britain, left, and Mr. Blair at the beginning of the Brussels conference.

Mr. Blair defended the compromise, saying it had preserved the "sanctity" of provisions in the Maastricht Treaty for the central bank because Mr. Duisenberg would choose the time of his early departure.

Mr. Blair and his chancellor of the Exchequer, Gordon Brown, also reject criticism of their stance toward monetary union, insisting that Labour in its first year in office has gone as far as it

could both politically and economically to steer Britain toward the euro.

The government has shifted the issue onto straightforward economic grounds by declaring that there is no constitutional barrier to British participation.

Labour's tight budgetary policy and its decision to cede control of interest rates to the Bank of England will do more to bring Britain's economic cycle into line with the Continent's than any

fixed timetable, they say; and in the meantime, the government is stepping up preparatory work, including the start this week of regional conferences and educational campaigns called "Britain Prepares for the Euro."

Any attempt to drive the pound lower or cut British short-term interest rates — which stand nearly four percentage points above French and German levels — to secure early entry in monetary

union "would be a disaster for Britain, and for British industry," Mr. Blair told the House of Commons last week.

But although Mr. Blair says he can wait for "clear and unambiguous" evidence that monetary union will be good for Britain's economic interests, many people disagree, including prominent members of his own party. The House of Commons Treasury Select Committee last week said it would take more than five years to judge whether the euro was a success and right for Britain. Brian Sedgemore, a Labour member of the committee, dismissed the government's economic tests for membership as a "smoke screen" to hide the political difficulty of winning a referendum on the issue.

The government's uncommitted stance appears to be hurting public support for the euro. In a recent poll conducted for Salomon Smith Barney, 54 percent of respondents opposed British entry, and 30 percent were in favor.

Many British companies, meanwhile, not content to wait for a swing in public opinion, are taking steps that could make the economy more dependent on the euro. In a bid to limit exchange-rate risk to their exports, the automaker Rover Group and British Steel PLC announced recently that they wanted their British suppliers to bill them in euros.

Those moves, plus the prospect that euro notes and coins will leak into Britain whether it joins the currency or not, led the House of Commons Treasury committee to warn that the euro could rapidly become a parallel currency, effectively shifting part of the economy beyond British control.

"Once the euro starts, things are going to move very fast indeed," said Giles Radice, the committee chairman. "The risks of staying out are increasing."

## Central Bank Debacle May Shake Market Confidence, for Now

By Alan Friedman  
International Herald Tribune

ROME — This weekend's unseemly battle over the presidency of the European Central Bank could rattle currency and bond markets temporarily and might even cause interest rates to rise sooner than expected in Germany and France this spring, several leading European economists said Sunday.

"The markets will be dismayed by the very public wheeling and dealing that has been carried out," said Avinash Persaud, head of currency research at J.P. Morgan in London. "European politicians have succeeded over this weekend in casting doubt on the independence of what is on paper supposed to be the world's most independent central bank."

Mr. Persaud predicted that "initially at least, the markets will be dismayed at the shenanigans of the weekend." He predicted that the Deutsche mark could weaken, with the dollar rising as much as three pfennig, to 1.81 DM from 1.78 DM on Friday.

"I think both the bond and currency markets are going to react badly," said

Julian Jessop, an economist at Nikko Securities in London. "It is going to be a nervous market opening."

Mr. Jessop also forecast that the Deutsche mark would weaken against the U.S. dollar "because this damages the credibility of the euro." He added that the German bond market and other European bond markets might also weaken "because this weekend makes it more likely the Bundesbank will raise interest rates by May or June."

Wim Duisenberg, the newly appointed European Central Bank president, "begins his term as a lame duck and he has already damaged his own credibility by accepting this deal," Mr. Jessop said. "It does no good for his own credibility that the first thing he does as president of the European Central Bank is to bend the Maastricht treaty" by offering to step down halfway into his eight-year term.

Several economists emphasized, however, that the market jitters could fade once Mr. Duisenberg and other members of the bank's board stress their anti-inflation beliefs.

"I think this weakness will be temporary and will change once we see ECB members singing the same anti-

inflation song," Mr. Persaud said.

Alison Cottrell, European economist at PaineWebber in London, described Mr. Duisenberg's appointment as a "procedural farce" and said "the very first reaction will be that the Deutsche mark will wobble."

But she added that the anti-inflation credentials of the new six-member central bank board suggest that the initially negative market reaction would be reversed "in a matter of hours or a couple of days."

Ms. Cottrell and others agreed, moreover, that to prove their independence from the politicians, "annoyed" central bankers in the core European nations of Germany, France, Benelux and Austria might accelerate plans to increase short-term interest rates. For central bankers, Ms. Cottrell said, "this weekend's political deal is like shaking the beehive, and when bees are annoyed they sting."

Mr. Persaud agreed. "The benefit to central bankers' credibility of raising interest rates by a quarter percentage point," he said, "is substantial while the cost to economic recovery is negligible. And faced with this equation of benefit

and cost, I think the central bankers will be encouraged to raise rates early."

Mr. Jessop said the Duisenberg-Trichet handover plan meant that "we are going to start monetary union next January with higher interest rates than would have been the case otherwise." The reason, he said, was that "investors will now need more encouragement to hold euros, and that encouragement will come in the form of higher interest rates." Several economists agreed that market and political reactions would be conditioned over the next few days and weeks by the calendar of public events.

On Monday, for example, Reimut Jochimsen, an outspoken Bundesbank official who warned last week against splitting the eight-year term for the European Central Bank presidency, is scheduled to make a speech in Berlin. On Tuesday, the Bundesbank president, Hans Tietmeyer, will join other central bankers at the European Monetary Institute, the central bank's precursor, in the first regular meeting since this weekend's political compromise.

Mr. Tietmeyer warned last week that dividing the European Central Bank

head's mandate would damage the euro's credibility.

On Thursday the European Parliament will hold hearings on the appointment of Mr. Duisenberg and five other nominees to the board of the central bank, and on May 13 the Parliament will hold a nonbinding vote on the appointments.

The European Parliament's President, Jose-Maria Gil-Robles, said Sunday that he had no doubt that splitting the presidency of the European Central Bank broke the spirit of the Maastricht treaty that governs monetary union.

"I would say its no good at all for the European Central Bank to begin like this," Mr. Gil-Robles said.

Although the Bundesbank's next regularly scheduled council meeting is May 14, few observers believe the German central bank will increase interest rates on that day. The Bundesbank meeting comes just 24 hours before the start of the Group of Seven's annual economic summit meeting in Birmingham, England, and three days before Chancellor Helmut Kohl opens the governing Christian Democratic Union's party congress.

## How Much Is a Euro? About \$1.10

International Herald Tribune

LONDON — Another struggle, another eleventh-hour compromise, and finally, after years of arduous effort, Europe has agreed to launch the euro. So what's it worth?

Well, it's about \$1.10, but you'll have to wait another eight months if you want exact change.

European Union leaders and finance ministers agreed to set a number of crucial bilateral exchange rates at their meeting in Brussels over the weekend. By declaring that the current central parities between euro member currencies would be fixed irrevocably at the end of this year, the leaders sent a reassuring signal to financial markets that should prevent any speculative attack against the currencies of future euro members.

But the leaders said nothing at all about the rate that may dominate the future of international finance: the euro against the dollar.

The reason stems from a decision taken by EU leaders in Madrid in December 1995 to guarantee that the future euro would be worth exactly one European currency unit.

The Ecu is a basket composed of portions of all 15 EU currencies and has been used by governments and companies in the past two decades as a vehicle for minimizing exchange-rate risks on borrowings or transactions. The leaders were keen to ensure that the tens of billions of dollars worth of bonds and corporate contracts denominated in Ecu would remain valid after the transition to the single currency. So they agreed in Madrid that one Ecu on Dec. 31, 1998, would be worth one euro on Jan. 1, 1999. On Friday, the Ecu was worth \$1.1005.

The problem is that a little more than 15 percent of the Ecu's value is made up of four currencies that will not participate in the euro initially: the British pound, the Swedish krona, the Danish krone and the Greek drachma.

If they are strong over the next eight months, they will lift the value of the Ecu and, hence, the euro, to a level slightly higher than the value of the Deutsche mark and the other 10 participating currencies implies.

## Duisenberg: From Free-Spending Socialist to Tough Monetarist

By Barry James  
International Herald Tribune

BRUSSELS — Wim Duisenberg, 63, who was appointed Sunday to run the European Central Bank when it begins operations July 1, is a convert to tight monetary stability. He is a classic example of a convert being the most zealous defender of the faith.

In the 1970s, Mr. Duisenberg was a high-spending socialist politician who presided over the most inflationary period in postwar Dutch history.

As finance minister from 1973 to 1977 in the government of Joop den Uyl, the late Labor prime minister, he pursued a tax-and-spend policy that today would disqualify a government wishing to join the forthcoming European single currency.

Mr. Duisenberg allowed the growth of a gigantic welfare state. Government spending as a proportion of gross domestic product ballooned from 48 percent when he took office, to more than 55 percent when he left to join the executive board of the Dutch cooperative bank, Rabobank Nederland.

By contrast, Jean-Claude Trichet, the governor of the French central bank, who challenged Mr. Duisenberg for the European Central Bank job and is due to take over in 2002, has unwaveringly been a hard-nosed monetarist.

Government spending as a proportion of GDP in the Netherlands continued to increase after Mr. Duisenberg's departure, and peaked at 66.6 percent in 1983.

That experience taught Mr. Duisenberg a lesson when he became president of the Dutch central bank in 1982. The bank linked the guilder closely to the Deutsche mark, while the government pursued a monetarist policy based on low inflation and interest rates. As a result, the Netherlands had little difficulty meeting the criteria to join the single currency.

Mr. Duisenberg became the head of the European Monetary Institute, the precursor of the European Central Bank, last year. He is considered extremely close to Hans Tietmeyer, president of the German central bank, the Bundesbank, which maintains an aloof stance from government interference. Itness from came as a surprise that Mr. Duisenberg yielded to French pressure and agreed to resign halfway through the eight-year term to make way for Mr. Trichet.

Some analysts said Mr. Duisenberg's promise cast a doubt on his ability to remain above the political fray, and was

not in keeping with the spirit of the Maastricht treaty on European Union.

The treaty says that the bank presidency should be for an indivisible eight years, precisely to protect the president from political interference. It gives the bank absolute liberty to set interest rates for the single currency zone as it chooses.

"The political deal, based on Wim Duisenberg's promise to step down early, can well be seen as at odds with the treaty's spirit and issued a disappointing signal to the public and financial markets," the Dutch bank ABN-Amro said.

On the other hand, Mr. Duisenberg will be in office long enough to oversee the introduction of euro coins and notes in 2002, and his signature will be on the new bank notes.

Early retirement will allow Mr. Duisenberg to concentrate on his golf game and his collection of country-and-western records.

Before becoming a banker, Mr. Duisenberg taught macroeconomics at the universities of Groningen and Amsterdam and was on the staff of the International Monetary Fund from 1965 to 1969. He was chairman and president of the Bank for International Settlements from 1988 to 1990.

## Bank's Board: Team of Tested Inflation Hawks

Compiled by Our Staff From Dispatches

BRUSSELS — The European Central Bank will be headed by a Dutchman, Wim Duisenberg, along with five others nominated to the board, European Union officials said Sunday.

Mr. Duisenberg will be appointed as president for eight years but has agreed to step down in the first half of 2002 to be succeeded by the Bank of France governor, Jean-Claude Trichet, who will then hold the post for eight years.

The other seats on the board will be held by:

• Christian Noyer, former head of France's Treasury, who will be vice president for four years.

• Sirka Hamalainen, governor of the Bank of Finland, who will sit on the board for five years.

• Domingo Solans, a member of the policy-making council of Spain's cen-



Wim Duisenberg, left, being congratulated by Jean-Claude Trichet, his eventual successor, in Brussels on Sunday.



The European Central Bank board, from left: Mr. Solans, a Spanish central banker; Mr. Issing, the chief Bundesbank economist; Mr. Padoa Schioppa, a former Bank of Italy deputy governor; Mrs. Hamalainen, governor of the Bank of Finland, and Mr. Noyer, former head of France's Treasury.

tral bank, who will be on the board for six years.

• Tommaso Padoa Schioppa, a former deputy governor of the Bank of Italy and head of the Italian stock market regulator, who will sit for seven years.

• Othmar Issing, chief economist at Germany's central bank, the Bundes-

bank, who will have an eight-year term on the board.

The central bank, based in Frankfurt, will govern monetary policy within and among countries taking part in Europe's conversion to a common currency, the euro, which begins next year. The bank is expected to start its operations in July. Analysts said the board members were

longtime inflation-fighters.

"It's probably the best European Central Bank you could imagine," said Rolf Guenther Thumann, economist at Salomon Smith Barney in London.

The bank will set interest rates, conduct foreign-exchange operations and smooth payments systems for the 11 nations joining the currency union. Its

coffers will contain about 50 billion European Currency Units (\$55.25 billion) of reserves gathered from national central banks. The six board members will meet every two weeks with the other members of the bank's governing council to set interest rates. Each member will have one vote on interest-rate decisions.

(Reuters, Bloomberg)

## CAPITAL MARKETS ON MONDAY

## How to Crash the Party After a Popular Mutual Fund Closes the Gates

By Mary Connors  
New York Times Service

NEW YORK — Some U.S. mutual fund companies have an important message for new investors: Go away.

Since the start of this year, an astonishing number of funds — 18 — have shut their doors to new investors. That is a record pace, according to Morningstar Inc., the financial publisher in Chicago. Among the latest to close are Lord Abbett Research Small-Cap, with \$677 million in assets; Janus Overseas, with \$4.2 billion; and Vanguard Primecap, \$10.2 billion.

If the stock market stays strong, more funds are likely to follow suit, particularly among high-performing small- and medium-capitalization stock funds that often have trouble putting large amounts of new cash to work. But would-be investors should take heart:

There are often ways to slither into such closed funds.

In past years, many closings were announced well in advance — a sort of last call for outside investors to plunk down their money before the fund rolled up the welcome mat. But fund companies have become less hospitable since

## INVESTING

the infamous experience in 1991 of the Janus Venture fund, which gave prospective new investors three months' notice of the deadline. It was swamped with new money and suffered from the blow for years.

By contrast, Vanguard announced the immediate closing of its Primecap fund after the close of business April 21, and it limits its current holders to a maximum additional investment of \$25,000 a year. Fund managers often turn off the in-

vestment spigot for the best of reasons — to protect returns for existing investors — but the announcements often cause new shareholders to rush in before the deadline.

"Everyone wants what they can't have," said Stephen Janachowski, a partner in Brouwer &amp; Janachowski, an investment firm that specializes in placing client money in no-load mutual funds. "When a fund closes, there's definitely an allure."

How does the determined investor storm the ramparts of such a fund? There are several ways.

Friends and family may provide the easiest point of entry. For example, family members of any Janus fund shareholder are welcomed into any of the firm's funds, including the just-closed Janus Overseas, provided they have the same home address as the shareholder. Similar accommodation may be offered

by other fund companies; investors can check the fund prospectus for details.

Fund companies do not advertise the fact, but it is simple for an investor to transfer shares of his or her stock to family members, or even to strangers. One- or two-page transfer-of-ownership forms, available from fund companies, are used most often to transfer shares within a family — from a parent to a child, for example, or for married couples, to change from single to joint ownership.

For buyers, the main problem can be finding a shareholder who is willing to sell. That is where the Internet can help.

"On-line gets you out there fastest," said Daniel Wiener, editor of the independent adviser for Vanguard Investors. Prospective buyers can post a bulletin-board message at Web sites such as www.morningstar.net or on Sage Online, available only to subscribers of

America Online, offering to pay above net asset value for a particular fund. Sellers can then use transfer-of-ownership forms to make the deal.

The discount broker Jack White &amp; Co. runs a service called Connect that matches buyers and sellers of mutual-fund shares. The service was started in 1990 as a way to match buyers and sellers of load funds, allowing buyers to sidestep the sales charge.

While Connect is not widely known, it can also help you gain entry to a fund that is technically closed to new money. Buyers pay a \$200 fee that is split between the seller and the brokerage firm.

Another tactic is to hire a financial adviser. When most big funds close the door on new retail investors, they also do so on registered financial advisers, who manage accounts for their individual customers. But with some fund companies, especially smaller ones,

there is often some leeway for an investor to wiggle in.

Skyline Asset Management of Chicago, for example, closed its Skyline Special Equities Portfolio to new investors last year. But advisers with an investment of at least \$250,000 in the fund as of Jan. 30, 1997, are grandfathered in and may continue to place new clients in the fund, a small-cap value offering with \$561 million in assets.

"It's a courtesy to advisers who believed in us early and put significant assets with us," says Michele Brennan, director of marketing. "They put a lot of time and effort into choosing funds. When one closes, it can cause a lot of problems for them."

Of course, to pursue this option, investors must be willing to turn over their money to a professional manager. But if you're in the market for professional advice anyway, this route makes sense.

## Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending May 1. Prices supplied by Telekurs.

Rank Name Cpn Maturity Price Crt Yld

Austrian Schilling

126 Austria 5 01/5/98 98.8500 5.8400

194 Austria 4.30 01/5/93 98.0000 4.3900

British Pound

104 Amstelveen Fin 0 12/2/92 20.1250 4.7300

130 Thorne Fin 0 01/1/93 58.724 10.7400

135 Amstelveen Fin 0 01/2/92 17.4250 7.2800

179 Amstelveen Fin 0 01/2/92 55.919 4.3300

195 Amstelveen Fin 0 04/2/92 103.2200 4.7800

201 EIB 0 12/2/92 99.2500 6.2200

205 Thorne Fin 0 01/1/93 58.724 10.7400

219 Yorkshire Water 6 04/2/91 101.364 8.7700

222 Aire Valley FRN 7.62 11/4/93 100.0000 9.5500

232 AG 0 02/2/91 109.2500 9.1200

243 Biffeln 0 02/2/91 109.2500 9.1200

Danish Krone

18 Denmark 7 11/1/97 112.9400 6.2000

22 Denmark 6 11/1/95 105.4000 5.6800

23 Denmark 6 08/1/93 113.5400 5.6800

24 Denmark 6 11/1/92 112.9400 5.6800

34 Denmark 6 12/1/95 102.5500 5.8700

50 Denmark 6 11/1/90 118.1500 8.1700

64 Denmark 6 05/1/92 110.0700 4.9900

70 Denmark 7 11/1/92 114.9500 5.9900

84 Denmark 6 11/1/92 110.0700 4.9900

100 Denmark 6 02/1/99 101.3300 5.2900

110 Denmark 6 02/1/99 101.3300 5.2900

116 Denmark 6 02/1/99 101.3300 5.2900

140 Denmark 6 11/1/98 102.4000 8.7700

150 Denmark 6 02/1/99 101.3300 5.2900

169 Denmark 6 02/1/99 101.3300 5.2900

181 Denmark 6 02/1/99 101.3300 5.2900

191 Denmark 6 11/2/98 97.5000 4.0300

216 Bygg Realized 7 10/1/99 100.7800 6.9500

Deutsche Mark

1 Germany 5 01/4/98 102.0782 5.1400

2 Germany 6 07/4/97 106.6900 5.6200

4 Germany 5 01/4/98 102.0782 5.1400

5 Germany 6 01/4/97 106.6900 5.6200

6 Germany 4 08/1/92 99.5400 4.5200

7 Germany 6 01/4/98 102.0782 5.1400

8 Germany 6 01/4/98 102.0782 5.1400

9 Germany 8 01/2/92 111.2900 7.1800

10 Germany 8 01/2/92 111.2900 7.1800

11 Germany 8 01/2/92 111.2900 7.1800

12 Germany 8 01/2/92 111.2900 7.1800

13 Germany 8 01/2/92 111.2900 7.1800

14 Germany 8 01/2/92 111.2900 7.1800

15 Germany 8 01/2/92 111.2900 7.1800

16 Germany 8 01/2/92 111.2900 7.1800

17 Germany 8 01/2/92 111.2900 7.1800

18 Germany 8 01/2/92 111.2900 7.1800

19 Germany 8 01/2/92 111.2900 7.1800

20 Germany 8 01/2/92 111.2900 7.1800

## Data Fail to Sway Interest-Rate Views

By Carl Gewirtz  
International Herald Tribune

PARIS — Bond and equity markets as well as the international capital market recovered from their losses last week as fears of an imminent increase in U.S. interest rates faded.

But the latest economic data, while they reassured traders, left analysts unmoved in their expectations of Federal Reserve Board action or inaction on interest rates this year.

The data showed that the U.S. gross domestic product grew at an annual rate of 4.2 percent in the first quarter, substantially faster than most analysts had expected. Net exports, however, fell nearly \$41 billion, the largest quarterly decline ever recorded; inventories increased substantially, and inflation as measured by the GDP deflator was at 0.9 percent, the lowest year-over-year gain since 1964. In addition, the employment cost index rose a modest 0.7 percent in the first quarter.

The report and its potential implication for U.S. interest rates helped the yield on the 30-year U.S. Treasury bond to end the week at 5.93 percent, down from 5.95 percent the previous week.

But, after studying the figures, most analysts remained the same bulls or bears as they were before the report.

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## Dutch Guilder

30 Netherlands 7 04/15/90 120.5500 4.2200

35 Netherlands 5 01/1/90 101.1850 5.1900

40 Netherlands 7 01/1/92 126.3500 5.9400

45 Netherlands 5 01/1/90 101.1850 5.1900

50 Netherlands 5 01/1/90 101.1850 5.1900

55 Netherlands 5 01/1/90 101.1850 5.1900

60 Netherlands 5 01/1/90 101.1850 5.1900

65 Netherlands 5 01/1/90 101.1850 5.1900

70 Netherlands 5 01/1/90 101.1850 5.1900

75 Netherlands 5 01/1/90 101.1850 5.1900

80 Netherlands 5 01/1/90 101.1850 5.1900

85 Netherlands 5 01/1/90 101.1850 5.1900

90 Netherlands 5 01/1/90 101.1850 5.1900

95 Netherlands 5 01/1/90 101.1850 5.1900

100 Netherlands 5 01/1/90 101.1850 5.1900

105 Netherlands 5 01/1/90 101.1850 5.1900

110 Netherlands 5 01/1/90 101.1850 5.1900

115 Netherlands 5 01/1/90 101.1850 5.1900

120 Netherlands 5 01/1/90 101.1850 5.1900

125 Netherlands 5 01/1/90 101.1850 5.1900

130 Netherlands 5 01/1/90 101.1850 5.1900

135 Netherlands 5 01/1/90 101.1850 5.1900

140 Netherlands 5 01/1/90 101.1850 5.1900

145 Netherlands 5 01/1/90 101.1850 5.1900

150 Netherlands 5 01/1/90 101.1850 5.1900

155 Netherlands 5 01/1/90 101.1850 5.1900

160 Netherlands 5 01/1/90 101.1850 5.1900

165 Netherlands 5 01/1/90 101.1850 5.1900

170 Netherlands 5 01/1/90 101.1850 5.1900

175 Netherlands 5 01/1/90 101.1850 5.1900

180 Netherlands 5 01/1/90 101.1850 5.1900

185 Netherlands 5 01/1/90 101.1850 5.1900

190 Netherlands 5 01/1/90 101.1850 5.1900

195 Netherlands 5 01/1/90 101.1850 5.1900

200 Netherlands 5 01/1/90 101.1850 5.1900

205 Netherlands 5 01/1/90 101.1850 5.1900

210 Netherlands 5 01/1/90 101.1850 5.1900

215 Netherlands 5 01/1/90 101.1850 5.1900

220 Netherlands 5 01/1/90 101.1850 5.1900

225 Netherlands 5 01/1/90 101.1850 5.1900

230 Netherlands 5 01/1/90 101.1850 5.1900

## U.S. Dollar

3 Brazil 5 04/15/14 95.3774 5.2400

13 Venezuela par L 6.719 12/2/15 71.1875 9.4400

19 Argentina par L 5 04/15/14 95.3774 5.2400

32 Argentina par L 5 04/15/14 95.3774 5.2400

45 Brazil L FRN 6 04/15/14 95.3774 5.2400

58 Brazil L FRN 6 04/15/14 95.3774 5.2400

71 Brazil L FRN 6 04/15/14 95.3774 5.2400

84 Brazil L FRN 6 04/15/14 95.3774 5.2400

97 Brazil L FRN 6 04/15/14 95.3774 5.2400

110 Brazil L FRN 6 04/15/14 95.3774 5.2400

123 Brazil L FRN 6 04/15/14 95.3774 5.2400

136 Brazil L FRN 6 04/15/14 95.3774 5.2400

149 Brazil L FRN 6 04/15/14 95.3774 5.2400

162 Brazil L FRN 6 04/15/14 95.3774 5.2400

175 Brazil L FRN 6 04/15/14 95.3774 5.2400

188 Brazil L FRN 6 04/15/14 95.3774 5.2400

201 Brazil L FRN 6 04/15/14 95.3774 5.2400

214 Brazil L FRN 6 04/15/14 95.3774 5.2400

227 Brazil L FRN 6 04/15/14 95.3774 5.2400

240 Brazil L FRN 6 04/15/14 95.3774 5.2400

253 Brazil L FRN 6 04/15/14 95.3774 5.2400

266 Brazil L FRN 6 04/15/14 95.3774 5.2400

279 Brazil L FRN 6 04/15/14 95.3774 5.2400

292 Brazil L FRN 6 04/15/14 95.3774 5.2400

305 Brazil L FRN 6 04/15/14 95.3774 5.2400

318 Brazil L FRN 6 04/15/14 95.3774 5.2400

331 Brazil L FRN 6 04/15/14 95.3774 5.2400

344 Brazil L FRN 6 04/15/14 95.3774 5.2400

357 Brazil L FRN 6 04/15/14 95.3774 5.2400

370 Brazil L FRN 6 04/15/14 95.3774 5.2400

383 Brazil L FRN 6 04/15/14 95.3774 5.2400

396 Brazil L FRN 6 04/15/14 95.3774 5.2400

409 Brazil L FRN 6 04/15/14 95.3774 5.2400

422 Brazil L FRN 6 04/15/14 95.3774 5.2400

435 Brazil L FRN 6 04/15/14 95.3774 5.2400

448 Brazil L FRN 6 04/15/14 95.3774 5.2400

461 Brazil L FRN 6 04/15/14 95.3774 5.2400

474 Brazil L FRN 6 04/15/14 95.3774 5.2400

487 Brazil L FRN 6 04/15/14 95.3774 5.2400

500 Brazil L FRN 6 04/15/14 95.3774 5.2400

513 Brazil L FRN 6 04/15/14 95.3774 5.2400

## New International Bond Issues

Compiled by Paul Floren

Issuer Amount (millions) Maturity Comp. Price and Price and

Floating Rate Notes

Belo Finance \$100 1999 0.125 100 — Over 1-month Libor. Noncallable. Fees 0.61% (Dresdner Kleinwort Benson).

Finance For Danish Industry \$250 2003 0.05 100.021 — Over 3-month Libor. Noncallable. Fees 0.15% (Salomon Smith Barney).

## Bank of Japan Director Found Dead of Hanging

### Chief of Internal Inquiry Was 'Exhausted'

By Sandra Sugawara  
Washington Post Service

TOKYO — A top civil servant who investigated corruption at Japan's central bank has been found hanged, the latest in a series of apparent suicides that have rocked the country since prosecutors began investigations of the cozy relationships between government and business here.

"I'm exhausted," read a note left by Takayuki Kamoshida, 58, chief director at the Bank of Japan. "I've reached my limit." Mr. Kamoshida led an internal investigation that resulted last month in disciplinary action against 98 employees of the central bank for accepting meals and entertainment from financial institutions. His body was found Saturday.

The investigation was opened after a Bank of Japan official was arrested for allegedly accepting bribes from financial institutions. The allegations led to the resignation of the central bank governor, Yasuo Mutsushita, March 17.

Mr. Kamoshida was not linked to the scandal, but he received criticism both from outsiders who felt that bank

employees who were involved should have been disciplined more harshly and from those within the bank who considered the inquiry to be unfair.

Masaru Hayami, current governor of the central bank, said Sunday that he was stunned by the death of Mr. Kamoshida, whom he called "one of the most valued persons at the bank." He rejected speculation that Mr. Kamoshida might have uncovered more corruption.

"Mr. Kamoshida bore heavy responsibilities and did an excellent job," Mr. Hayami said. "We can easily imagine he was exhausted, but it's hard to guess what was really on his mind."

Mr. Kamoshida joined the central bank in 1963, Bloomberg News reported, eventually becoming head of its international department, a post he held for three years before becoming an executive director in 1995.

He was one of the bank's six executive directors, who rank just below the governor and two deputy governors. He was in charge of internal management, and in recent weeks was preoccupied with parliamentary questioning about the bribery scandal.



Mr. Kamoshida announcing disciplinary action at the bank last month.

## Paris and EU Near Agreement on Credit Lyonnais

Reuters

BRUSSELS — The European Commission and France are close to an agreement on conditions for new rescue measures for the state-owned bank Credit Lyonnais SA, sources close to the commission say.

"We are not far from an agreement," a source said Saturday.

Sources also confirmed that an agreement had been reached on the bank's sale of assets and that the commission had agreed that the bank would be privatized next year as planned by the French government.

Karel Van Miert, the European Union's competition

commissioner, said Saturday that he was "available at any moment" to hear new plans from France on privatizing the bank but warned that he might reject the proposals.

"There is not much time left," Mr. Van Miert said on Europe 1 radio. "We are still open, but the solution must be solid, and we must be able to defend it against those who complain and the competition."

He spoke after meeting Finance Minister Dominique Strauss-Kahn on Friday in Brussels.

French banks have complained to European authorities that state aid for Credit Lyonnais gave it an unfair

advantage, and he said banks might also complain if the bank was perceived to be still leaning on state funds.

Mr. Van Miert, who is said to be angry at the failure by Paris to do what it promised to do in return for his approval of multibillion-dollar rescues of the bank since 1994, is threatening to block further aid to Lyonnais.

The dispute intensified recently after officials said a veto of state aid "could force the bank into bankruptcy."

France has agreed to privatize the bank, which ran up more than 20 billion francs (\$3.35 billion) in losses between 1992 and 1994. But it has not yet agreed on a way to sell the bank that fits EU rules on state aid.

## VW Won't Give Up on Rolls-Royce Without a Fight

Reuters

FRANKFURT — Volkswagen AG is intent on presenting Vickers PLC with an improved bid for Rolls-Royce Motor Cars Ltd. even though Vickers agreed last week to sell the luxury carmaker to Bayerische Motoren Werke AG.

"VW is sticking to its plans to present an attractive and competitive offer," a Volkswagen spokesman said Saturday. "This is possible now that the exclusive talks between Vickers and BMW are over."

He declined to comment on published reports that Volkswagen was offering up to \$500 million (\$833 million) for Rolls. BMW agreed to pay \$340 million for the British automaker.

The chairman of Vickers, Colin Chandler, told shareholders last week that if another offer emerged the defense company would look at it in terms of shareholder value.

Separately, Porsche AG said it was in talks with VW on joint production of a sport-utility vehicle. Porsche would not comment on the progress of the talks, but industry sources said they were unlikely to break down.

"The talks are still going on, and that basically does not rule the possibility of their failing," a Porsche spokesman said.

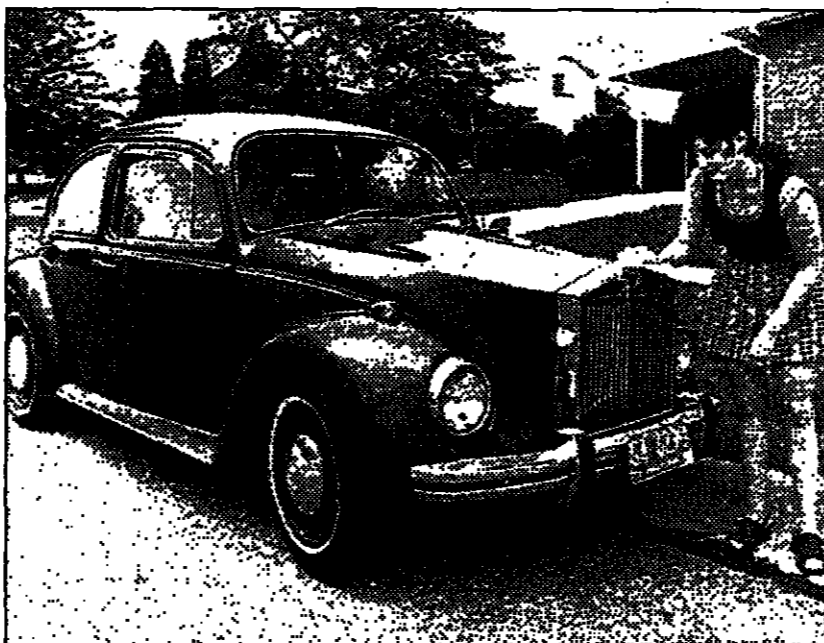
A German newspaper reported that the companies had agreed to build different versions of the vehicle jointly and that their boards would meet in the first week of June to approve the project.

The Frankfurt Allgemeine said Porsche's similar talks with Chrysler Corp. and Matra Hachette SA of France had failed to result in a deal.

VW and Porsche, it said, will decide in the autumn at the earliest where to build the vehicle, which will reach the market no earlier than autumn 2001.

Analysts estimate that VW could sell 80,000 of the vehicles a year, the newspaper said, while Porsche could sell 20,000 of its version. The U.S. market for sport-utility vehicles alone has grown to 2.4 million units from 400,000 since 1990, it said.

The Porsche model is to be priced at about 120,000 Deutsche marks (\$67,000), which would increase the carmaker's annual revenue by half, the paper said.



A U.S. driver polishing her version of a VW-Rolls combination 26 years ago.

## Malaysia Says It Knows Best for Its Economy

Finance Minister Criticizes IMF's Rate Advice

Compiled by Our Staff From Dispatches

KUALA LUMPUR — Finance Minister Anwar Ibrahim said Sunday he was "comfortable" with the country's interest-rate levels and criticized an International Monetary Fund report last week that urged that credit be kept tight for some time.

"My view is we are comfortable at this stage," Mr. Anwar said, but he added that Malaysia had to keep the option to do what would best ensure "stable macroeconomic conditions."

Mr. Anwar, who is also deputy prime minister, said Malaysia had "generally" employed a tight monetary policy.

"I am certainly quite satisfied that we are able to manage the interest-rates policy according to the needs," he said.

In its annual review of the country's economy, the IMF said Malaysia should keep interest rates high to support its currency, redouble its efforts to improve accounting standards, and implement moves to improve its banking system.

"IMF shouldn't dictate to us," Mr. Anwar said. "Not all of their prescriptions can be considered right all of the time."

The Fund last week noted that Malaysia's economy came under considerable strain in the second half of 1997, as growth slowed, markets turned volatile and capital inflows declined.

Malaysia's three-month interbank interest rate is now 11.1 percent to 11.5 percent, compared with 7.5 percent last July when the regional financial crisis broke out.

"Why would you expect the international agency to agree with us 100 percent?" he said. "It doesn't mean that the 10 percent they disagree with us is necessarily right."

But Mr. Anwar added that Malaysia had benefited from its consultations with the IMF, which is privy to data from neighboring countries, and said, "We will continue to consult them."

Separately, Malaysia's securities regulator ordered Omega Securities Sdn. to cease trading as of Monday until the brokerage raised its capital to meet industry requirements.

The order comes as Malaysia — under pressure from investors to rein in companies and securities businesses — steps up scrutiny of its approximately 60 stockbrokerages, some of whose customers suffered big losses in last year's plunge in regional bourses.

Omega is one of a dozen brokerages placed under trading restrictions because of capital problems. The securities regulator has asked at least four brokerages to show why their licenses should not be revoked.

The Kuala Lumpur Stock Exchange imposed trading restrictions on Omega, a unit of Omega Holdings Bhd., in February. It was then given until last Wednesday to merge with another company. No merger has been announced.

(AFP, Bloomberg)

## Greenspan Underscores Need to Monitor Banks

Big Mergers Create Dangers, Fed Chief Says

Compiled by Our Staff From Dispatches

NASHVILLE, Tennessee — U.S. banks must be allowed to choose between state and federal government supervision to encourage innovation and avoid excessive regulation, Alan Greenspan, the Federal Reserve Board chairman, said over the weekend.

But Mr. Greenspan said the recent flurry of bank mergers in the United States had heightened his objections to allowing banks to shift operations away from holding companies that are subject to the Fed's supervision.

"This is a terribly crucial issue," Mr. Greenspan, speaking via satellite from Washington, told a bankers' group meeting in Nashville Saturday, "especially now that we are looking at apparently an increased size in merged banking institutions, because a very large bank requires a very subtle handling in the event of a crisis. A very, very large bank requires even more."

Banks now can operate in the United States under charters from either the federal or state governments. That has produced beneficial competition among banks and regulators, Mr. Greenspan said.

But banks also want to stretch beyond traditional borders. Several recent high-profile mergers are aimed at expanding services into the insurance and other financial-services industries.

Draft legislation would allow banks to sell insurance and securities, among other sweeping changes. Mr. Greenspan called on regulators and lawmakers to proceed with caution.

Mr. Greenspan and the Fed favor requiring bank holding companies to create separate affiliates for nonbanking activities — such as selling securities or insurance underwriting — to lessen the risk that federally insured bank deposits could be used to finance such activities.

His concern is that the bank would be too closely linked to the affiliate, which could draw on the bank's capital and have better access to its payment system without the Fed's supervision.

"This would effectively create the disappearance of the bank holding company structure which is so critical to the Fed, and indeed any central bank, in endeavoring to maintain oversight of potential systemic problems," Mr. Greenspan said. "We are very concerned that those increased functions not be financed at taxpayer expense."

Mr. Greenspan praised state-chartered banks for withstanding federal pressure to tax or regulate them out of existence. He cited past state bank innovations from checking accounts to adjustable rate mortgages as evidence state banks have the capacity to survive competition. (Bloomberg, Reuters, AP)

## CYBERSCAPE

## Keys to a Wise PC Purchase: A Good Warranty and Service Arrangements

By Michael J. Himowitz  
The Baltimore Sun

If you buy a personal computer today, there's a good chance that something will go wrong with it over the next couple of years.

I am not talking about system crashes, which affect virtually everyone, but about real problems: a bad disk

drive, faulty memory, a video display adapter that goes haywire or something else that goes thunk in the night.

That is why it is a good idea to pay attention to a PC's warranty before you buy. A good warranty, backed by a good service organization, can turn a hardware failure into a minor inconvenience. A bad warranty, with slipshod ser-

vice, can turn it into a nightmare.

On the surface, most warranties look the same. If you buy your machine from a retailer, it will probably have a one-year parts and labor guarantee. Mail-order retailers frequently offer three years on parts and a year on labor. You can always pay more for an extended warranty.

But before you buy, find out who will service the computer, and under what terms. The overriding principle is that time is important, so look for a warranty and service organization that will get your computer fixed as quickly as possible, with the least inconvenience to you.

Many buyers assume that a store with a service department will handle warranty repairs on the computers it sells. But that is not always the case — increasingly, it is the exception to the rule.

If something goes wrong with your computer, chances are good that you will wind up working your way through the manufacturer's service system.

Under the best of circumstances, this can be time-consuming and frustrating. If your computer is dead on arrival, try to avoid getting involved with service departments altogether. If you bought your PC from a retailer, take it back and ask for a new one.

If you have had your machine for a while, or you bought it through the mail, you may not have a choice. That is why it is important to investigate service arrangements ahead of time.

## CURRENCY RATES

Cross Rates	May 1
Australian dollar	1.39
British pound	1.74
Canadian dollar	1.48
French franc	165.50
German mark	1.36
Japanese yen	109.50
Swiss franc	1.48
U.S. dollar	1.00
Other Dollar Values	
Argentine peso	1,000
Australian dollar	1.39
British pound	1.74
Canadian dollar	1.48
French franc	165.50
German mark	1.36
Japanese yen	109.50
Swiss franc	1.48
U.S. dollar	1.00

Forward Rates	30-day	60-day	90-day	180-day
British pound	1.74	1.74	1.74	1.74
Canadian dollar	1.48	1.48	1.48	1.48
French franc	165.50	165.50	165.50	165.50
German mark	1.36	1.36	1.36	1.36
Japanese yen	109.50	109.50	109.50	109.50
Swiss franc	1.48	1.48	1.48	1.48
U.S. dollar	1.00	1.00	1.00	1.00

Other Dollar Values	Per \$	Per \$	Per \$	Per \$
Argentine peso	1,000	1,000	1,000	1,000
Australian dollar	1.39	1.39	1.39	1.39
British pound	1.74	1.74	1.74	1.74
Canadian dollar	1.48	1.48	1.48	1.48
French franc	165.50	165.50	165.50	165.50
German mark	1.36	1.36	1.36	1.36
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German mark	1.36	1.36	1.36	1.36
Japanese yen	109.50	109.50	109.50	109.50
Swiss franc	1.48	1.48	1.48	1.48
U.S. dollar	1.00	1.00	1.00	1.00

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It appears that the euro has united Europe after all.

To find out how IBM can help, visit our euro website at [www.ibm.com/euro](http://www.ibm.com/euro)



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**Name field footnotes:** c - available only through a contractual plan; n - no front-end load or contingent deferred sales load; p - fund assets are used to pay distribution costs; r - redemption fee or contingent deferred sales load may apply; t - footnotes p and c

Price field footnotes: a - ex capital gains distribution;  
f - previous day's quotation; g - cash dividend ex date



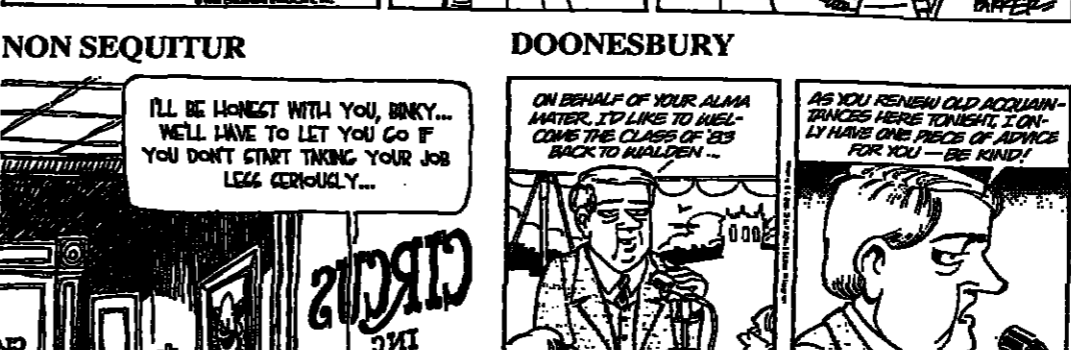
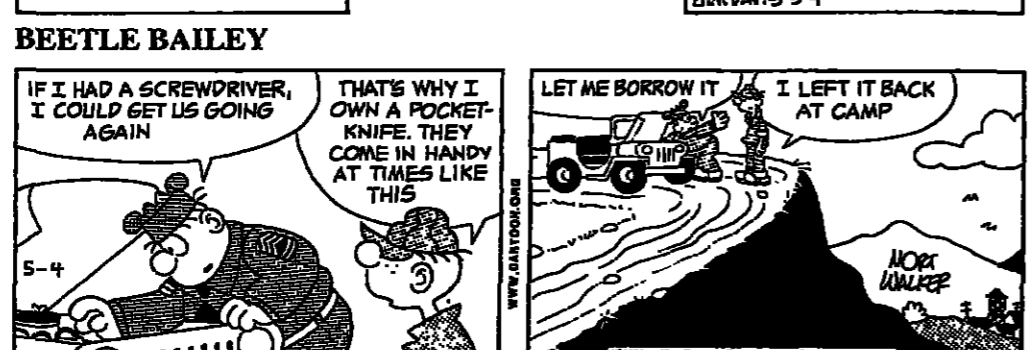
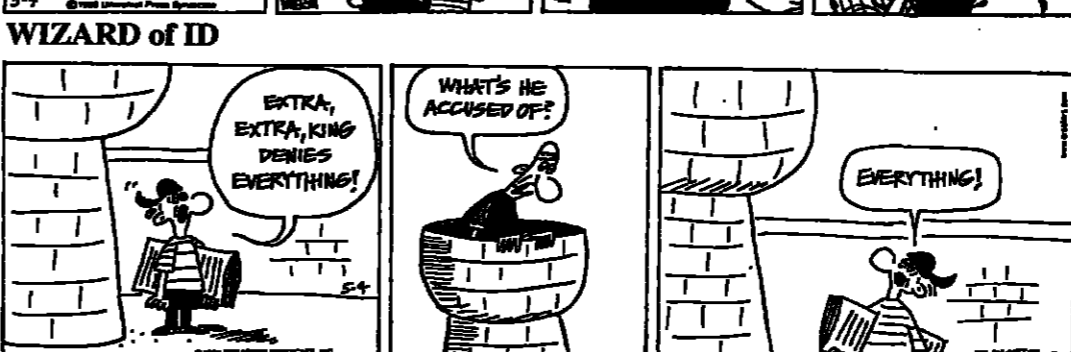
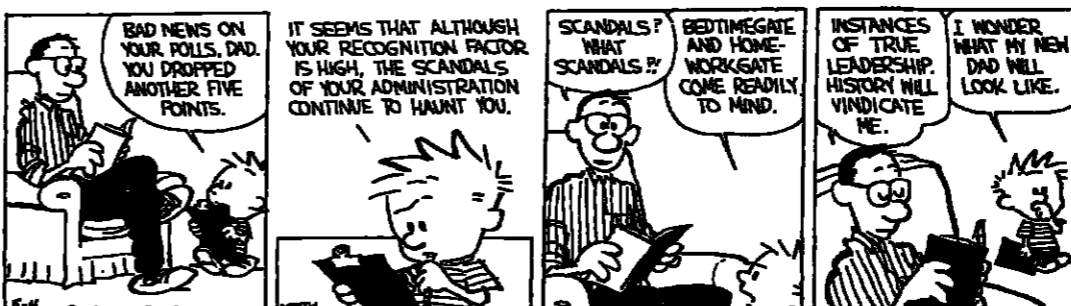
Consolidated prices for all shares  
traded during week ended Friday,  
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# IMPACT OF WTO PACT DEPENDS ON IMPLEMENTATION

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FRANCE	FF	180	210	60%
GERMANY	DM	183	72	61%
GREAT BRITAIN	£	47	22	53%
HONG KONG	HK\$	72	28	61%
ISRAEL	NIS	263	105	60%
ITALY	ITL	145,600	58,000	60%
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NORWAY	NOK	132	50	63%
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1. The first step in the process of the investigation is the identification of the problem. This is done by the investigator who is assigned to the case. The investigator must first determine the nature of the problem and the scope of the investigation. This is done by interviewing the complainant and the person(s) involved in the problem. The investigator must also determine the date and time of the problem and the location of the problem. This information is then used to determine the next steps in the investigation.

# TRADE IN TELECOMMUNICATIONS

## IMPACT OF WTO PACT DEPENDS ON IMPLEMENTATION

It aims to free trade in telecoms services.

Telecommunications is already one of the world's largest industries, despite the fact that half the world's population lacks easy access to a telephone. By 1998, it will be worth more than \$1 trillion in worldwide service revenues and equipment sales. Its arrival at the top table of global industries was confirmed in February 1997, when the World Trade Organization (successor to GATT, the General Agreement on Tariffs and Trade) negotiations on basic telecoms were concluded successfully.

In an unprecedented deal, 99 countries promised to open up progressively their telecoms markets to foreign investment and competition and agreed to abide by a common set of rules to ensure fair play. The agreement came into play on Feb. 5.

**Cheaper phone calls**  
It is hard to overstate the significance of the pact, which is a component of the General Agreement on Trade in Services (GATS) of the WTO. When it was agreed in principle, Charlene Barshefsky, then acting U.S. trade rep-

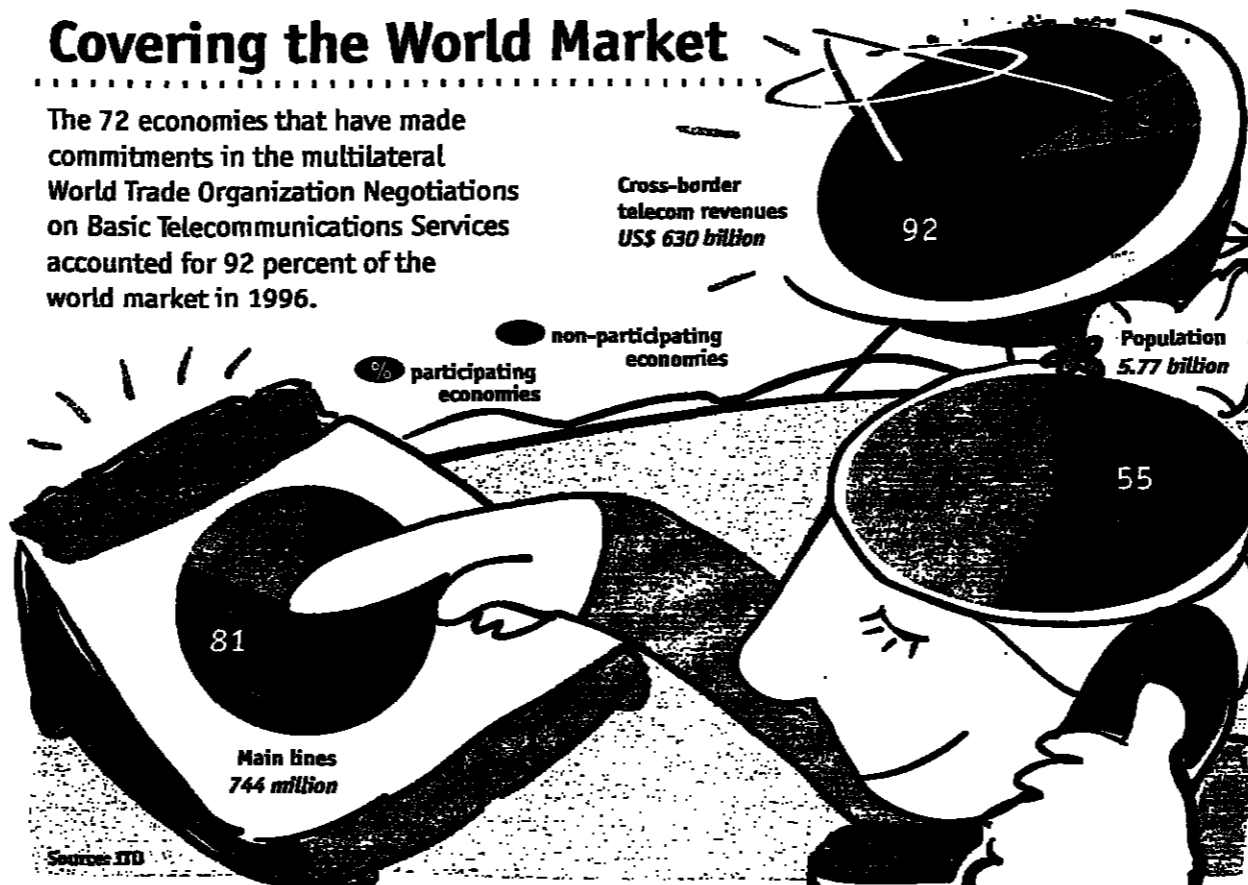
resentative, said it was "one of the most important trade agreements for the 21st century" and claimed that it could reduce the cost of international calls by as much as 80 percent.

The telecoms deal was hailed as a major breakthrough because the countries involved account for about 92 percent of global telecoms revenues. It covers all basic telecoms services, including voice, data, fax, and radio and satellite-based services.

In the past, most countries have clung to their international operator monopolies, shunning competitors, because of their value as cash cows. Many governments were nervous about ceding control of such a strategic industry through privatization, and deregulation is often a political hot potato. Civil service employees usually object to being turned into private sector workers with fewer rights, and the opening up of competition invariably leads to job losses as telcos strive to increase productivity and lower costs. In addition, in some countries local calls are subsidized

## Covering the World Market

The 72 economies that have made commitments in the multilateral World Trade Organization Negotiations on Basic Telecommunications Services accounted for 92 percent of the world market in 1996.



Source: ITU

by more expensive long-distance calls.

There are convincing reasons for liberalizing telecoms. An ITU report on trade in telecommunications last year noted that in emerging markets, international traffic per subscriber grew by 11.7 percent per year from 1990 to 1995 where competition was allowed, compared with just 5.2 percent per year where

there was a monopoly. The same effect, to a lesser extent, was found in developed markets.

But the true impact of the agreement will depend on its implementation. It is, inevitably, a complex deal with many parties involved, each of whose economies, telecoms infrastructures and liberalization processes are at different stages.

Stephen Young, principal consultant with London-based consultancy Ovum, says, "It's like peeling an onion; there are many different layers, which, in varying combinations, apply to different countries or blocs of countries."

More than 40 countries made reference to or included in their commitments the Reference Paper on Regulatory Principles, a framework document for regulating the dominant carrier in

each country, obliging them to give new entrants access to the established network at nondiscriminatory prices. All new carriers rely on the established network, at least at the beginning. The paper also contained many broader principles, such as removing barriers to entry for new carriers.

Time scales for implementation as well as the degree and scope of competition to be instated vary, too.

Many of the countries involved had already committed to opening up their markets; for example, most members of the European Union opened up their markets completely to competition on Jan. 1, while the United States started deregulation in the early 1980s. Some Asian countries agreed to open up their markets as late as 2010. Naturally, over such a long time span, much

can happen. What will guarantee that the agreement will be carried out?

Lee Tufhill, a counselor at the Trade in Services Division of the WTO, explains, "If a country wishes to change its commitments — which for many countries go back to GATT — then they have to notify the WTO and give all the other parties the opportunity to renegotiate with them individually, and that could well involve all sorts of other areas of trade, not just telecoms."

A number of countries that participated in the GATT rounds and even the WTO talks, for a variety of reasons, were not able to commit themselves in February 1997. Since then, Cyprus, Barbados and Suriname have committed themselves to the terms of the agreement.

Continued on page 21

## TAKING ACCOUNT OF THE REVOLUTION

In the following article by Pekka Tarjanne, secretary-general of the International Telecommunication Union, he explains why a reform of the system for sharing the costs of international calls is necessary, and why particular attention must be paid to the needs of developing countries.

At its World Telecommunication Policy Forum in March, the members of the ITU overwhelmingly endorsed efforts to overhaul the long-established international accounting rate system and paved the way for the development of new means of settling international telecommunications traffic that are more suited to the fast-changing telecommunications environment.

Technological change, most recently the development of new technologies that bypass the public switched telephone network, such as Internet telephony, is having a great impact on the way today's telecommunications services are delivered.

about the same number of calls.

During the 1980s, however, the situation began to change. Markets in some countries started to deregulate, public telecommunications carriers began to be privatized and the balance of traffic along certain routes became highly unbalanced because of factors such as callback services and highly competitive pricing by some operators, particularly in the United States.

Recognizing that fundamental changes were taking place in the global telecommunications environment, the International Telecommunication Union began to address the need for a move toward cost-oriented accounting rates. Until recently, however, progress toward actually agreeing on the structure of a new system, or on a set of guidelines that would replace the old structure, had been slow.

### New strategy needed

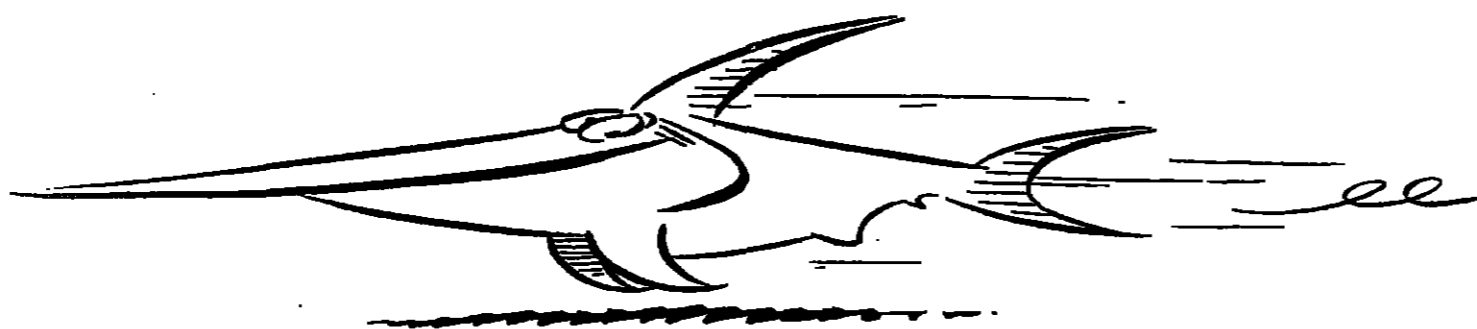
It was for this reason, combined with the expected wide-ranging implications of last year's World Trade Organization agreement on trade in basic telecommunications, that the ITU convened its second World Telecommunication Policy Forum in Geneva in March. At this event, which attracted more than 700 delegates from almost 120 nations, consensus was reached, if not on a new system that would be better adapted to the evolving telecommunications environment, then at least on the urgency of for-

Under the old regime, in which monopoly providers generally agreed bilaterally on a price for handling one another's calls and split the cost down the middle, the system worked relatively well. In many cases, there was not even any need for significant amounts of money to change hands, since traffic between the two countries was balanced, with each receiving and sending

Continued on page 18

"TRADE IN TELECOMMUNICATIONS" is a joint initiative of the International Telecommunication Union and the International Herald Tribune. It was produced in its entirety by the Advertising Department of the International Herald Tribune. Look for "Trade in Telecommunications" on the IHT Web site at [www.ihrt.com/IHTSUP/](http://www.ihrt.com/IHTSUP/). The Web version includes key words to other relevant Web sites. WRITERS: Claudia Filisi in the South of France; Pamela Ann Smith, Richard Synges and Annie Turner in London; Terry Swartzberg in Munich. PROGRAM DIRECTOR: Bill Mahder. ILLUSTRATIONS: Karen A. Sheckler-Wilson.

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## TRADE IN TELECOMMUNICATIONS

### THE ITU MOVES TO TRIM DOWN, SPEED UP AND WORK CLOSELY WITH PRIVATE SECTOR

Reforms aim to take account of changes in the industry and in its membership.

The winds of change are whistling around the Geneva headquarters of the International Telecommunication Union (ITU), which has served the world's telecommunications industry since its founding in 1865.

Today's telecom environment is no longer a cozy club of government-owned operators, as it was a century ago. Current membership includes 188 member states and about 500 nongovernmental members, the overwhelming majority of whom are manufacturers and operators from the private sector.

#### Changing role of governments

The private-sector members are pushing for changes at the ITU. In the last 15 years, more than 80 of the ITU's government members have privatized their telecommunications operations. As governments' role has gravitated from operator to regulator, the organization has been wrestling with changes appropriate to this new and rapidly evolving situation.

Contrary to popular misperception, private sector interests have always been present at the ITU. Since 1871, they have played a role in the organization's three principal areas of activity — the creation of global telecom standards, the assignment of frequencies for radio (as part of national delegations) and, more recently, the funding and fleshing out of telecom infrastructure for developing countries.

What the private sector does not have are the voting rights of full members. Don MacLean, chief of strategic planning and external affairs for the ITU, explains, "Because we are an intergovernmental organization, only governments have been full members with full voting privileges."

#### A voice, not necessarily a vote

In his opinion, however, the private sector probably doesn't want these voting privileges per se. "They don't necessarily want to spend their time in plenipotentiary sessions."

What the private sector wants is speed, flexibility and a say in the approval process, he maintains.

The faster technology moves, the slower the pace of a 133-year-old structure must seem.

In recognition of the situation, the ITU undertook a major structural and operational

reorganization in 1992, for the first time in 50 years. "We wanted to involve the private sector and make the decision-making process more responsive," says Mr. MacLean.

Subsequently, a set of 30 recommendations called ITU 2000 was developed between 1994 and 1997. Recommendations requiring amendments to the ITU constitution will be considered for adoption by the ITU's upcoming Plenipotentiary Conference, to be held in Minneapolis from Oct. 12 to Nov. 6.

The current reforms deal with the rights and obligations of ITU members. Building a consensus from a highly diverse membership, including governments and the private sector from markets with different levels of development and competition, does not happen quickly.

The pace of this reorganization has itself been a cause of frustration for some reformers.

#### Speeding up standardization approval

But progress is being made. The ITU is developing fast-track alternatives to traditional study groups to speed up the process of standardization.

ITU 2000 recommended introducing a distinction between standardization approval by full-membership ballot and approval within study groups, not requiring a full vote.

It is emphasizing cooperation with regional groups like the European Telecommunications Standards Institute and industry forums, which are closer to their markets and tend to move faster.

"Each ITU section should find solutions that make sense for its activities, instead of being subject to a top-down set of rules," says Mr. MacLean.

Small companies are encouraged to be part of the process, with the lowering of membership fees and changes in rules that facilitate their participation.

Mr. MacLean is optimistic about the ITU's ability to adapt. "Everyone wants to see us move faster," he says.

He himself embodies the changes that are happening in Geneva. He was hired in 1992 to take responsibility for strategic planning.

"I may have been the first person in any United-Nations-affiliated organization to take on such a role," he says.

Claudia Flisi

### The Big Players

Top 10 international carriers by international service revenue, 1996

6.14	Deutsche Telekom
5.77	AT&T
2.97	BT
2.82	France Telecom
2.23	Hongkong Telecom
2.13	KDD
1.83	MCI
1.83	Telmex
1.67	DGT (China)
1.64	Telecom Italia

in billion US\$

Top 10 equipment manufacturers by revenue, 1996

19.27	Motorola
18.53	Ericsson
16.47	Alcatel
15.86	Lucent (9 months)
15.33	Siemens
13.05	NEC
12.85	Nortel
8.56	Nokia
7.86	Fujitsu
3.78	Bosch

Source: ITU

### COMPETITIVE PRESSURES FEED GLOBAL AMBITIONS

Cross-border investments and partnerships are multiplying as new entrants take on the leaders in established markets.

#### The liberalization of

telecom markets has placed increased pressure on operators in the United States, Europe and Japan to expand abroad. Companies that are leading players in the world's most established markets, such as BT and Cable & Wireless (C&W) of the United Kingdom, Telefonía de España and Japan's NTT are forging new cross-border alliances to increase their competitiveness and to preserve their revenues against the threat of new entrants in their own home markets.

BT's strategy is "to compete in the major world markets of Western Europe, the United States and Asia-Pacific," says Alfred Mockett, president and CEO of its international arm, BT Global.

Joint ventures are being formed in Europe and the United States, where BT's Concert Communications Services are widely used by multinational corporations. "We have applied for a Type 1 license in Japan, which will enable us to build and operate our own infrastructure."

C&W's Virginia-based U.S. subsidiary, Cable and Wireless Inc. (CWI), offers domestic and international voice, data, messaging and Internet services to U.S. business customers. Its Global Intelligent Virtual Network enables small and medium-sized businesses, as well as multinationals, to link their sites around the world without the fixed costs and management complexity involved in setting up their own private networks.

Under a joint marketing arrangement agreed last October with Ameritel, a subsidiary of USC Inc., CWI is offering its customers wireless products such as cellular services and paging. The agreement will enable CWI "to offer our customers cellular and paging services with USC's central billing and uniform rate platform," says CEO Rich Yalen.

The Australian carrier Telstra Corp. is looking to attract business from European multinational companies that are active in the Asia-Pacific region. It announced a deal with Infonet Services Corp.

in March through which Telstra would offer advanced Internet, intranet and other global data-communications services to European-based multinationals via Infonet's network. Infonet's global network is accessible from more than 180 countries, with local support in 57 countries and infrastructure in 39 countries.

Telefónica announced in March that it was forming a partnership with two big U.S. service providers that are in the process of merging — WorldCom and MCI — to enter new telecommunications markets in Europe and the Americas. This follows the agreement that Telefónica reached with MCI a year ago to set up joint ventures in Latin America.

"We have chosen the best partners to help broaden our reach in Europe, consolidate our market leadership in the Spanish-speaking world and move forward with new investment opportunities in Latin America, particularly in Brazil, which will be our principle focus during 1998," says Telefónica

Chairman and CEO Juan Vilalongo.

"The partnering of WorldCom, Telefónica and MCI represents a new era of communications competition in both Europe and the Americas," says Bert Roberts, Jr., chairman of MCI. "The two regions account for 70 percent of the global telecommunications market and are increasingly open for competition," he adds. "Together, we will utilize existing facilities and build new networks in emerging markets to support the explosive growth of communications services around the world."

Telefónica Internacional already holds substantial shareholdings in telecommunications companies in Argentina, Chile, Peru, Venezuela, Puerto Rico and Romania. The parent company this month launched a global rights issue aimed at raising funds to finance the expansion plans.

Other U.S. companies are also moving into Europe, despite the reported problems that AT&T has encountered in forming alliances with

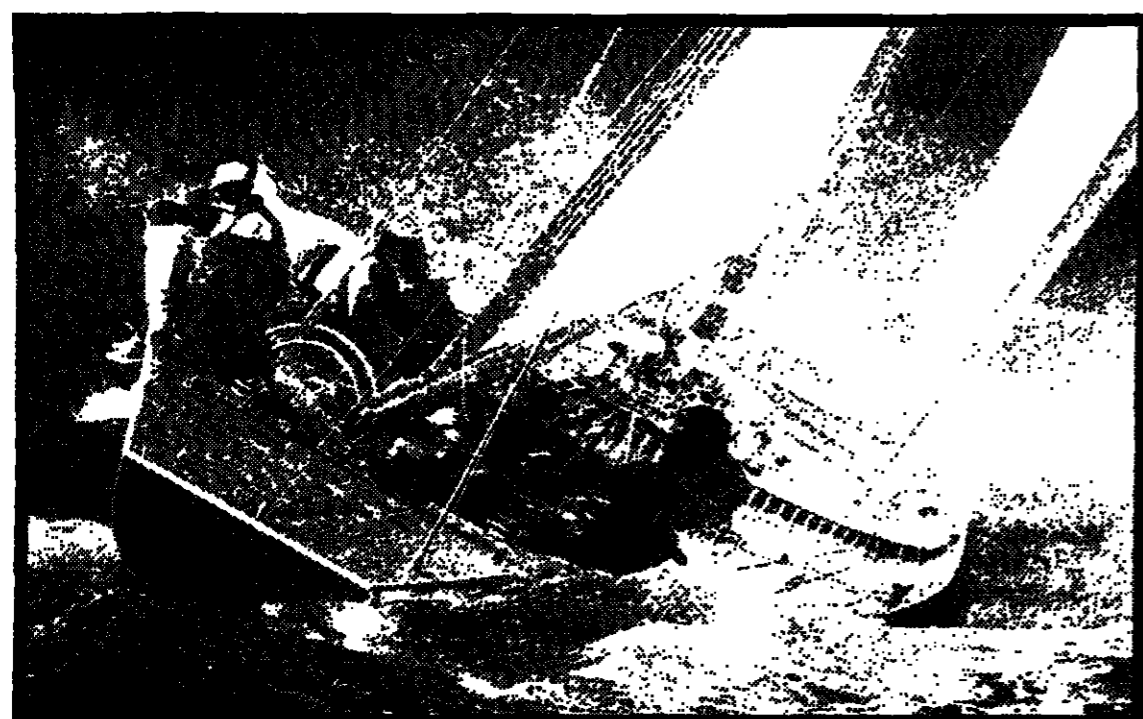
partners such as Telecom Italia. Qwest Communications announced this month that it was buying EUnet, Europe's first and largest commercial Internet service provider. The move will give Qwest access to a profitable corporate-customer base.

Japan's NTT has responded to the prospect of liberalization in its home market by expanding into the United States. This month it announced it was buying a \$100 million stake in Verio, a Colorado-based Internet service provider. The investment could give the Japanese giant as much as a 12.5 percent share of Verio when it goes public later this year.

Earlier this year, another Japanese company, DDI Corp., signed a memorandum of understanding with the Canadian carrier, Teleglobe, to set up joint domestic and international services beginning next October. The agreement gives Teleglobe access to DDI's 15 million customers for long-distance services and places it in line to become a Type 1 carrier in Japan.

Pamela Ann Smith

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### TAKING ACCOUNT OF THE REVOLUTION

Continued from page 17

mutating a strategy. The result was agreement, under Opinion C, that the ITU develop transitional arrangements by the end of the year that could be brought into effect as early as January 1999. These arrangements will take into account the special concerns of developing nations, many of which are fearful of losing a vital source of hard currency through the loss of income from international telecom settlements.

#### Range of options

Exactly what form the transitional system might take is not yet clear. A range of options is on the table, including a termination charge system, in which a single charge on any given origin/destination relation is applied by a carrier for terminating a call; a simple sender-keeps-all system, which allows the originating carrier to retain the entire charge for the call; and a more complex system of different rates for different classes of operator, in recognition of the higher charges some operators are forced to incur in delivering international traffic.

Certainly, many operators in the developing world have legitimate fears about the current upheaval in international accounting rates. Developing nations, especially those lacking a convertible currency and having a poor level of international trade and low per capita income, will find it hard to keep up their network maintenance and expansion programs if their supply of hard currency from international settlements

suddenly dries up. As the price of calls goes down, demand for services is expected to be stimulated, thus exerting pressure on network capacity. In an attempt to meet this new demand, operators will be required to import more telecom equipment, but the added revenue, in local nonconvertible currency, will be of little help.

The current trend toward increasing trade deficits in telecoms equipment in developing countries is likely to be exacerbated or may result in worsening the already difficult debt burden. Also, tariff rebalancing will put pressure on such operators to increase local call charges, which may have the added negative effect of further isolating the local population from easy, affordable access to telecommunications.

Whatever new method is finally settled on, the move toward cost-oriented accounting rates would seem to be generally good for the consumer. With the cost of international capacity over telecommunications networks continuing to fall, thanks especially to high capacity fiber optic cables, the price of international calls should also drop dramatically, to eventually become more in line with the cost of an ordinary domestic call.

Certainly, we cannot expect the world's large telecommunications operators to surrender the generous profit margins they currently reap on international telephony without some resistance. Many carriers routinely charge international calls at around 10 times the price of a domestic call, even when the cost they incur to deliver both services is often not very different. But

new technologies like Internet telephony, which can deliver voice calls at a very low cost virtually independent of distance, combined with the surge of new operators moving into liberalized markets around the world, mean that it will not be long before the old regime will be forced to bring international tariffs into line with real costs or risk being squeezed out of the market altogether.

For the ITU, which has as one of its mandates "the establishment of rates at levels as low as possible consistent with the operation of an efficient service," the shake-up in the international accounting rate system can only be positive.

#### Fair deal for developing countries

As always, the ITU will work to ensure a fair transition, particularly for developing countries, which will almost certainly be harder hit by tariff rebalancing.

For them, special consideration is vital if we are not to end up further isolating populations who are already being forced to survive on very meager telecommunications resources. But in the long term, and if all interests are kept in mind, it should be the consumer, including those in the developing world, who will benefit.

Cheaper international calls will mean an increase and expansion of business activity and opportunity, and improved communication between families and friends separated by distance. It would be very hard indeed to deny the benefits such changes would bring to the quality of life of people everywhere. ■

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## TRADE IN TELECOMMUNICATIONS

### SETTLEMENT SYSTEM ON LAST LEGS

**R**ows about telephone companies making excessive profits from international calls are nothing new, but the richest telcos are now agitating hardest for change. For years, telcos were accused of running a cartel, charging exorbitant prices for international calls. Little could be done, because most countries' international traffic was handled by monopolies.

Typically, they charged a premium rate for international calls because in the past their network capacity to overseas destinations had been relatively scarce, and businesses, rather than individuals, bore the brunt of the cost. In fact international-call revenue subsidized local calls for the general population, also known as voters, who paid little or nothing at all.

Operators negotiated bilaterally how much they would charge for delivering each other's international calls under the accounting rate system, a global scheme overseen by the International Telecommunication Union (ITU), a specialized agency of the United Nations. In this system, they charged each other the same amount for call delivery in their territories.

This so-called settlement rate, plus a profit margin and the additional cost of running their domestic networks, was then passed onto the consumer.

In recent years, the accounting rate system has run into trouble. Where the telecoms sector was liberalized early, as in North America, the United Kingdom, Finland, Sweden, Australia and New Zealand, among other places, competition began to bite, with new telcos negotiating lower settlement rates. These savings, plus the fact that new networks that exploit modern technology are generally cheaper to deploy and run, meant they were able to charge consumers less.

Consequently, far more traffic originated in liberalized countries, where international calls were cheaper. The effect of this was compounded by the use of call-back and refil.

**Finding the loopholes**  
Call-back companies' services

provide overseas customers with a dial tone from the United States, which has some of the cheapest international call charges in the world. The ITU reckons that call-back traffic has increased at least tenfold since 1993.

In addition, many telcos are using a practice called refil, whereby a call between two countries where a high settlement rate is in force is diverted through a third country with a lower rate to the destination country. The destination country loses revenue, and the conspirators split the difference. Maev Sullivan, an independent, London-based telecoms consultant, says, "International traffic is increasingly based on arbitrage, with operators exploiting accounting rate discrepancies for their own advantage."

#### Controversial FCC move

The ITU estimates that as many as 6.4 billion international-call minutes were accounted for by call-back and refil in 1997. The U.S. national telecoms regulator, the Federal Communications Commission (FCC), says that the imbalance of outgoing international traffic cost the country \$5 billion in trade deficits. This is all the more remarkable since, as Tim Kelly, head of operations analysis at the ITU, points out, international traffic comprises less than 2 percent of the world's telecoms traffic by volume, and about 8 percent by value.

It was clear that the situation could not continue. Much to the fury of most other countries, the FCC took a unilateral decision in August 1997 to impose its own tariff scale for settlement rates, to which U.S. carriers would be obliged to adhere. The scale is based on countries' gross domestic product and will be phased in over the next five years. The least-developed economies will be given the longest time to comply. This unilateral action was contrary to the spirit of the multi-lateral approach taken by the World Trade Organization agreement.

For many developing countries, high settlement rates are a precious source of hard currency.

In addition, as these countries typically have older networks that are more expensive to operate and still have a monopoly carrier, their costs are higher. Also, monopoly carriers have never needed to allocate costs and would be very hard pushed to produce "transparent accounting" to fit in with the demand that their prices reflect costs. Indeed, in the liberalization process everywhere, accurate cost allocation has proved a significant challenge.

While the FCC's action provoked outrage, it also did much to galvanize telcos around the world.

#### Basing rates on costs

In March, the ITU World Telecommunication Policy Forum appointed Anthony Hill, Jamaican ambassador to the United Nations, as chairman of a focus group on reform of the accounting-rate system. ITU member states have already proposed settlement rates of not more than \$0.66 per minute, to be implemented in 1998. As all ITU decisions have to be reached by consensus among its member states, this is already a significant sign of progress.

The next step is to agree upon another transitional arrangement for 1999. Mr. Hill says he feels "very confident it will happen." A longer-term goal is to arrive at a mutually agreed cost-allocation methodology or methodologies so that settlement rates everywhere finally reflect costs. Mr. Hill feels this will be achieved two to three years into the next millennium. For its part, the FCC has said it is willing to back this multilateral approach, but there is still a long way to go.

#### Toward a fairer system

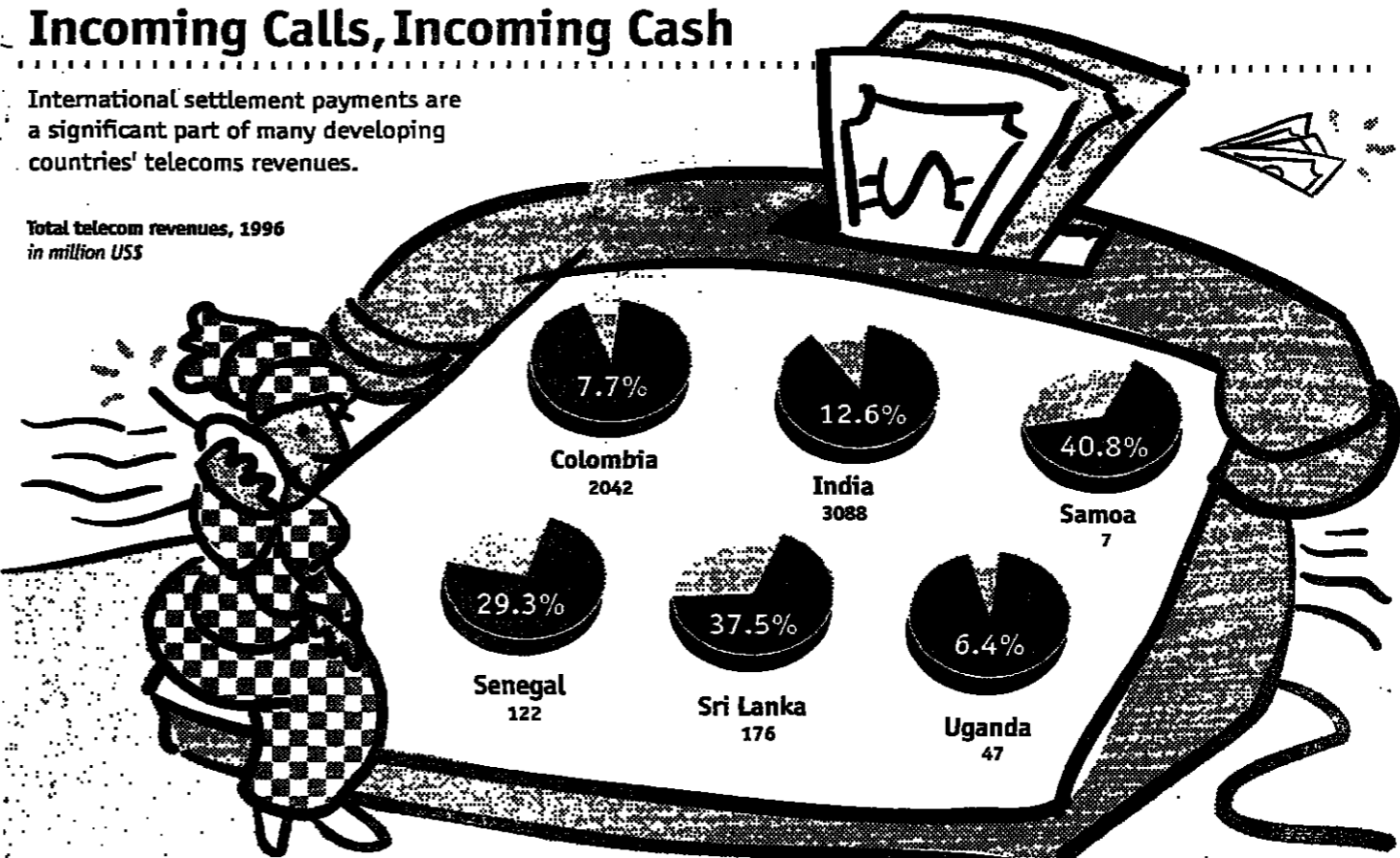
Pekka Tarjanne, secretary-general of the International Telecommunication Union, points out that operators in developing countries rely on income from the present system to maintain and expand their networks.

"This system provides a framework for a transfer of resources from the developed north to the developing south of around \$10 billion a year," he recently said. "If you put together all the lending

### Incoming Calls, Incoming Cash

International settlement payments are a significant part of many developing countries' telecoms revenues.

Total telecom revenues, 1996  
in million US\$



Source: ITU case studies

programs for telecoms from all the development banks around the world, the total sum they invested during the first half of the 1990s would still amount to less than is generated in one year under the accounting rate system."

The statement underlines how crucial it is for all parties to get the balance right when working out reasonable settlement rates. To understand the potential impact of accounting-rate reform and a reduction in settlement rates, the ITU has undertaken a series of country case studies to better understand their needs and costs. The countries studied were the Bahamas, Colombia, India, Lesotho, Mauritania, Samoa, Senegal, Sri Lanka and Uganda.

Gross domestic product per capita in the economies studied ranges from \$12,280 in the Bahamas to just \$251 a year in Uganda. For many of the countries, telecoms income itself is important, aside from the role of

telecoms in underpinning and expanding the economy.

Many factors have been taken into account in the studies. They found, for example, that continuing political instability has hampered the government of Sri Lanka in attracting outside investment into its telecoms sector; that the network-development costs of islands such as Samoa and Sri Lanka are very different from those for large countries such as India or for small, landlocked countries like Lesotho; that the Bahamas has the challenge of connecting 15 inhabited islands; that Colombia has already digitized 84 percent of its trunk network, while Lesotho has four PBX switchboards and a one-cell cellular network providing voice services to rural areas.

The case studies report concludes that there are significant differences between the countries in the cost of terminating international phone calls. The report

found that the range of call-termination costs varies between \$0.13 per minute and \$0.45. In comparison, "best practice" rates available on competitive rates in Europe are less than \$0.08 per minute.

Cost-based accounting systems should allow operators to negotiate settlement rates that they can prove reflect their costs (and therefore must be judged reasonable) and, in general, run their telecoms services in a more effective and profitable way.

Mr. Hill acknowledges that the trick will be finding a cost-based accounting system that is acceptable to the international community. In addition, monopoly telcos will have to move away from subsidizing local calls from international-call revenue if they are to introduce competition, otherwise new entrants will simply cherry pick the most lucrative sectors.

This rebalancing of tariffs will make international calls afford-

able to many more businesses and help economies overall. It could also do much to get back revenue that at the moment is lost to call-back and other revenue-draining operations.

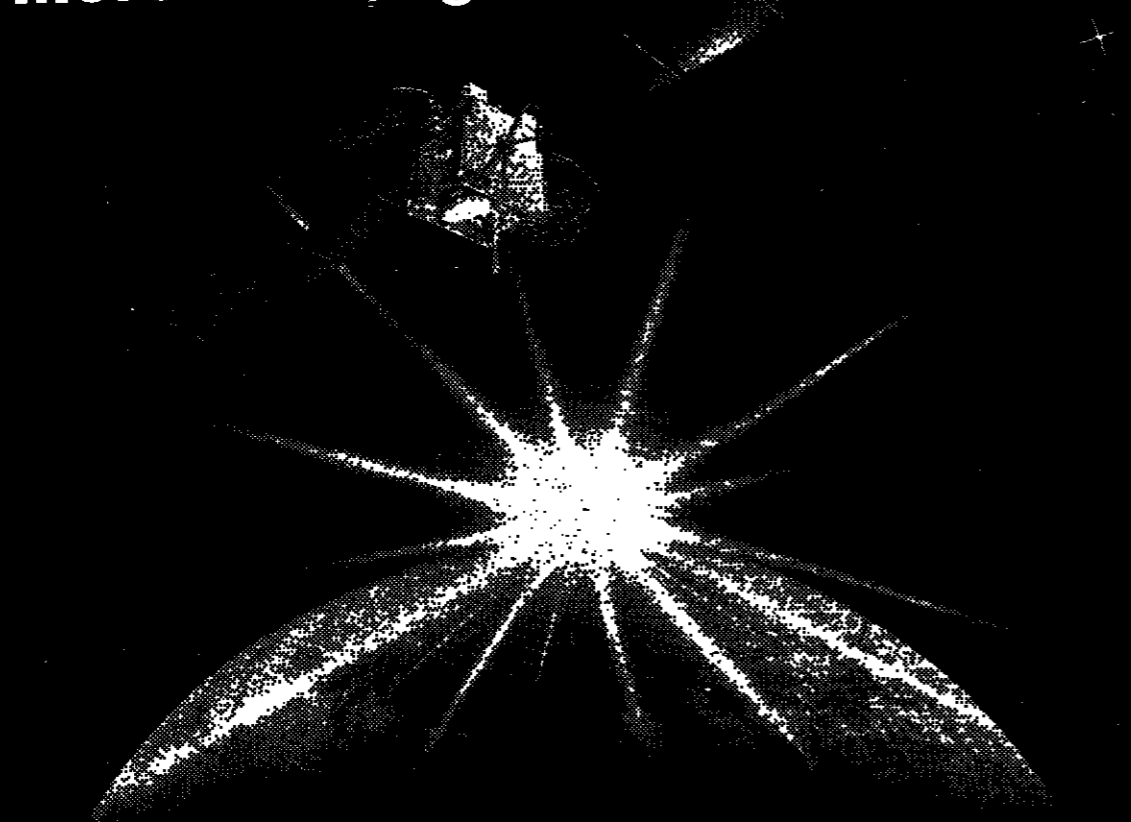
But Mr. Tarjanne warns that such revenue may not be sufficient to replace the hard currency earned from the present system, and so developing countries may find it difficult to expand their networks and increase access (see his article, "Taking Account of the Revolution," in this section).

The phasing and timing of this process will be key. All of the countries studied have long waiting lists for telephones. The ITU's 1998 World Telecommunication Development Report suggests that if access to telephone service was sensibly priced and uniformly available, then a further 300 million households could have access to telephones, in addition to the 500 million already connected.

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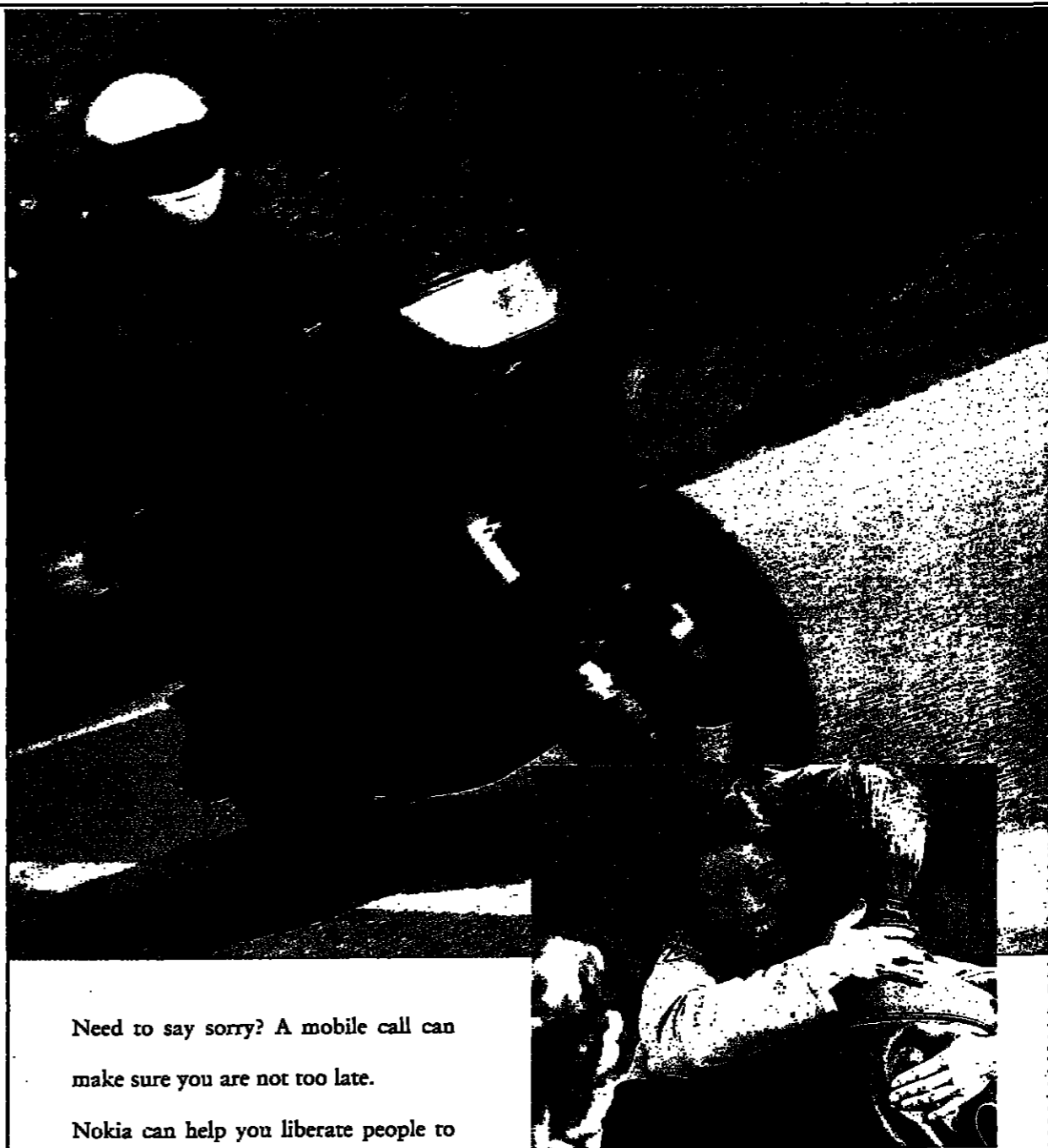


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*Should — or can — electronic commerce be regulated and taxed? Governments and business groups are grappling with the question.*

Genia Corp. and Lucent Technologies are co-developing the technology. Genia says it will discover how to squeeze the most transmission capacity out of fiber optic strands using a technology called wavelength-division multiplexing. Simply put, WDM works by interleaving multiple signals of different length through a fiber simultaneously. Genia now claims it will be able to carry 16 channels (each of which could carry a phone call) on a single fiber later this year; Lucent had recently upped the ante with 80 channels.

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SPORTS

# Real Quiet Whips Up Excitement

## Unlikely Winner Gives Baffert 2d Kentucky Derby Victory in a Row

By Jennifer Frey  
Washington Post Service

LOUISVILLE, Kentucky — Bob Baffert won his second straight Kentucky Derby at Churchill Downs on Saturday. He just happened to do it while sitting in the wrong owner's box, with his expectations pinned on the other horse he had trained for this race.

After sitting a few stalls and a long shadow away from Derby favorite Indian Charlie in Baffert's barn all this week, Real Quiet—the horse known as "Fish"—outpaced his stablemate down the mile-and-a-quarter stretch and held off a late surge by Victory Gallop, to capture the 124th Kentucky Derby in 2 minutes 22.9 seconds. Victory Gallop finished second, and Indian Charlie third.

Baffert was seated in the box belonging to Hal E. Egan—Indian Charlie's owner—when the horses came out of the last turn, and the trainer's guts seized when he saw a horse pass Indian Charlie from the outside. Then he did a double-take and completely lost his composure.

"It's the Fish!" Baffert shrieked, practically in Egan's ear. "Go, baby, go!"

Outfront by the mile mark, Real Quiet held steady as Indian Charlie faded slightly and Victory Gallop rallied wide, vanquishing Baffert's hopes of a 1-2 finish. Still, the charismatic trainer from California had good reason to be thrilled with his day. He became only the sixth trainer to win back-to-back Derbies. The last trainer to do so was Wayne Lukas in 1995 and 1996, who won this year, Cape Town, finished fifth behind Halory Hunter, owned by Rick Pitino, the coach of the Boston Celtics.

"I didn't think I'd ever feel as excited as I did for Silver Charm, but it's unbelievable," Baffert said, referring to the horse that gave him his first trip to the Derby winner's circle last May. "When those horses turned for home, it just feels better."

Kent Desormeaux, the jockey aboard his first Derby winner, threw a kiss to the crowd after he crossed the wire at the end of a smartly run race. Told by Baffert to scrape the rail on the first turn and get behind a fast horse, Desormeaux did just that, then sat back in excellent position down the backstretch before making his move. He started screaming once he crossed the finish line, and barely stopped long enough to gasp out a few words.

"I was in shock for the first 30 yards past the wire," he said. "I was like 'Ahhhhh!'"

Desormeaux was dressed in red and gold silks—the colors of McDonald's Corp.—emblazoned with an "MP" in honor of Real Quiet's owner, Mike Pegram, who owns 21 of the hamburger franchises in the state of Washington. Pegram was the first owner to bring Baffert, originally a quarter-horse trainer, into the thoroughbred business.

Last spring, Pegram had tears in his eyes when Baffert stood in the winner's circle with Silver Charm and thanked him even though he had not won with one of Pegram's horses.

On Saturday, Pegram, who grew up just across Kentucky's border in Princeton, Indiana, packed as many of his childhood friends as he could fit into his box for his unexpected, but thrilling, Derby victory. He did not seem to mind a bit that Baffert was not among the crowd.

"I told everybody that day I felt like

I'd just won the Kentucky Derby," Pegram said of Baffert's comments last spring. "And now, I did it again today."

When Baffert first purchased Real Quiet for Pegram, the owner raised his eyebrows slightly at the paltry price tag—Real Quiet cost \$17,000—and wondered aloud what kind of horse his old friend had found for him. "What does he have, cancer?" Pegram said to Baffert, who could not help but laugh.

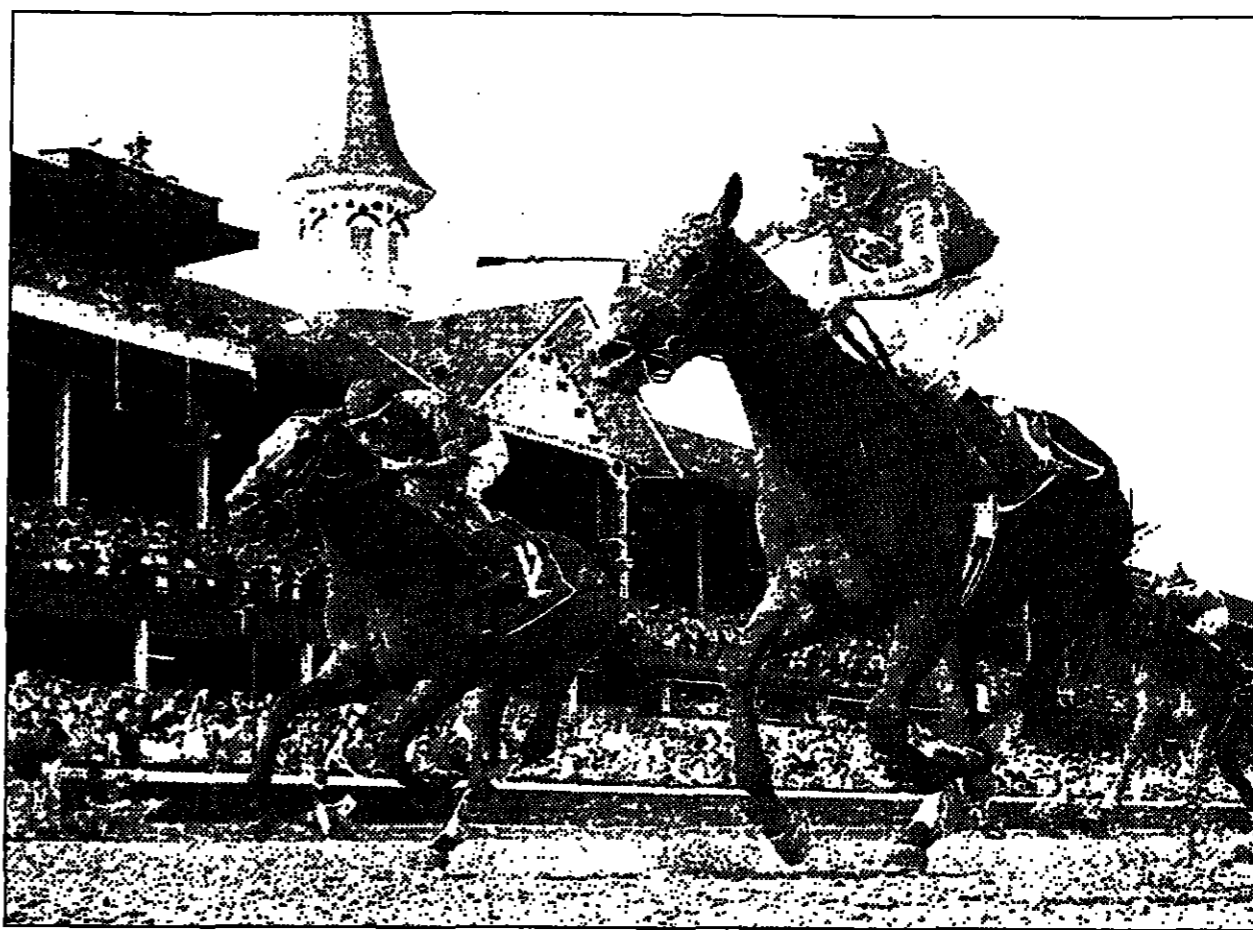
Actually, Real Quiet was skinny—so skinny that Baffert compared him to a tropical fish in a tank: gorgeous from the side, but all but nonexistent when viewed from a head-on direction. Hence, Real Quiet became known simply as "Fish." He also became known as the Baffert horse with a lot of potential, but not much to show for it.

"I took him to San Francisco," Baffert said, referring to the Golden Gate Derby, which was run in January, "and he got beat there by horses that are claimers now."

But Real Quiet filled out, and bloomed, this spring, running a strong race last month at the Santa Anita Derby, where he finished second behind none other than Indian Charlie. That race established Indian Charlie as the Derby favorite, and he went off Saturday at 5-to-2 odds, to Real Quiet's 8-to-1.

Despite all the focus on Indian Charlie this week, Baffert did stop often to mention that Real Quiet was running the best workouts he had ever seen the horse run. Still, Baffert was predicting an Indian Charlie triumph, and long ago, half-joking conversations he had had with Pegram about the Fish winning a Derby were far from his mind.

Real Quiet, a 3-year-old son of Quiet



Real Quiet crossing the finish line to win the Kentucky Derby in Louisville. Victory Gallop, left, came in second.

American, won for the first time in four races this year before 143,215 spectators, the third-largest crowd in Derby history. He paid \$18.80 for a \$2 bet and went home to California with \$600,000 of the purse of \$1 million.

### King of Kings Defeats Xaar

The Irish horse King of Kings, ridden

by Michael Kinane, defeated the French horse Xaar to win a first British classic victory for trainer Aidan O'Brien in the 2000 Guineas. The Associated Press reported from Newmarket, England.

With 10-11 favorite Xaar struggling from early in the race Saturday, King of Kings went by Lend a Hand a furlong out and sped away to win by 1½ lengths.

Lend a Hand finished three-quarters of a length ahead of Border Arrow. Xaar finished fourth. O'Brien, 28, who only two months ago produced Istabraq to win the Champion Hurdle, had never saddled a runner in a British classic.

King of Kings won four of five starts a year ago, then bone chips were removed from a knee after the season.

# A Stunning Upset Leaves the Devils To Ponder Season

By Joe Lapointe  
New York Times Service

KANATA, Ontario — During the 82-game regular season, the New Jersey Devils won 14 more games than the Ottawa Senators. But, during the best-of-seven games first round of the Stanley Cup playoffs, the Senators won twice as many as the Devils.

By beating the Devils on Saturday, 3-1, the Senators won the series, 4-2, earning the first playoff victory of

### NHL PLAYOFFS

their modern history. They were an eighth and final-seeded team, and they upset the champions of the Eastern Conference.

It is the sixth season for this incarnation of the Senators, a championship team in the 1920s that was born again through expansion. Their last victory in a playoff round was in 1927.

The Senators' foe in the second round has yet to be determined. Still alive in the East are Montreal, Pittsburgh, Boston, Washington and Buffalo, which eliminated Philadelphia on Friday night.

In the game Saturday, an Ottawa defenseman, Igor Kravchuk, clinched the victory when he scored into an open net with 49 seconds left after the Devils pulled their goalie, Martin Brodeur, for an extra attacker.

The six-game ouster was a sobering shock for the Devils, who dominated their conference this season but have won only one playoff round

since their Stanley Cup championship in 1995. In six games against Ottawa, they managed only 12 goals. Bobby Holik, their leading goal-scorer in the regular season with 29, had no goals in the first five games and missed the game Saturday with food poisoning.

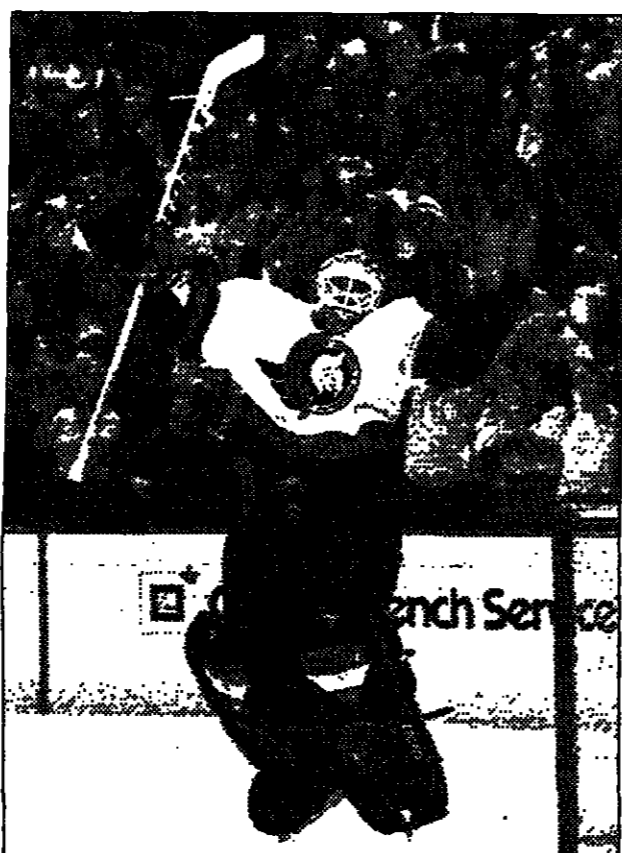
Also without a goal for the Devils in this series were Randy McKay, Steve Thomas, Scott Niedermayer and Jason Arnott.

Lou Lamoriello, general manager of the Devils, said Holik "ate some fish" Friday night at a downtown restaurant during a team dinner. No other Devils were reported ill. The Devils also played without Arnott, who had surgery to repair nerve damage in his wrist caused by an accidental cut from a skate when he was on the bench in Game 5 at Continental Arena last Thursday night.

In the first 40 minutes, the Senators had a 19-14 edge in shots, which accurately reflected the difference in play. The Senators kept the Devils boxed up in their own end for long stretches.

"We were all over them from the first minute to the last," said a forward, Daniel Alfredsson. "I don't think that's a fluke."

Aleksei Yashin gave Ottawa a 1-0 lead at 8 minutes 28 seconds of the first period on a power-play goal. He beat Brodeur after taking a pass from Alfredsson behind the goal line and sliding out from the left-wing corner after the Devils' defensemen left too much space between them.



The Senators' goalie, Damian Rhodes, jumping for joy after Ottawa took a 3-1 lead in the game's last minute.

Kevin Dean tied the score for the Devils at even strength at 5:24 of the second period with a shot from near the blue line that might have changed direction as it headed toward the Ottawa goalie, Damian Rhodes.

Janne Laukkanen made the score 2-1 for Ottawa at 10:30 by taking a long wrist shot from the inside edge at the top of the left-wing circle. Brodeur argued with Referee Kerry Fraser, contending that an Ottawa forward, Shawn McEachern, had interfered with him.

"We had high expectations," said Brodeur of the Devils' season, which ended much earlier than expected. "It's unacceptable."

In other games, The Associated Press reported:

# Mussina Returns in Stellar Form

## Orioles' Ace Comes Off the Disabled List to Dominate Minnesota

The Associated Press

Mike Mussina returned from the disabled list Sunday and allowed just two hits over 7½ innings as the Baltimore Orioles beat the Minnesota Twins, 2-0, to win their first series in three weeks.

Rafael Palmeiro and Eric Davis homered for Baltimore, which won two

### AL ROUNDOUP

of three from the visiting Twins after going 0-5-1 in its previous six series.

Mussina had been sidelined since April 16, when a wart on the index finger of his right hand cracked open in a game against the Chicago White Sox. He had been troubled by the wart since spring training before finally going onto the disabled list to get the problem corrected.

Mussina (3-2) faced only 27 batters, four over the minimum, walking four and striking out four.

The right-hander allowed only two runners past first base in improving to 12-1 lifetime against the Twins. He is 11-0 against Minnesota since losing in his sixth career start in 1991.

The Orioles had floundered without their staff ace, who owns the best winning percentage among active pitchers. He retired the first two batters in the eighth before walking two straight. Ar-

thur Rhodes then fanned Todd Walker. Rhodes walked Paul Molitor to lead off the ninth and allowed a one-out single to Ron Coomer. Minnesota's third hit of the game, before escaping with his first save.

Red Sox 2, Orioles 1 In Boston, Pedro Martinez shook off a two-game slump and shut down baseball's best hitting team as the Red Sox beat Texas.

Martinez (3-0) struck out nine, walked two, allowed five hits in seven innings and overcame three errors in the first three innings.

Jim Corsi got two outs in the eighth. Tom Gordon walked the bases loaded in the ninth before retiring Rusty Greer on a groundout for his 11th save.

Mo Vaughn's ninth homer of the season against Darren Oliver (1-4) broke a 1-1 tie in the fifth. And it gave Texas its first series loss of the season despite a strong eight-inning performance by Oliver. The Rangers had won seven of their first 10 series, splitting the other three.

In games played Saturday:

Rangers 7, Red Sox 6 Rick Helling became the major leagues' first six-game winner as the Texas Rangers got two homers from Kevin Elster and one from Ivan Rodriguez to beat the Red Sox in Boston.

Indians 5, Devil Rays 1 In Cleveland,

Chad Ogea allowed three hits in 7½ innings, and Sandy Alomar broke out of a slump with three hits for the Indians.

Twins 8, Orioles 7 In Baltimore, Ron Coomer homered in the 11th inning to give Minnesota its first extra-innings victory in five tries.

Blue Jays 7, Athletics 6 In Oakland, California, Roger Clemens took a no-hitter into the seventh inning before Ben Grieve broke it up.

Clemens (3-3), who has never pitched a no-hitter in 422 career starts, allowed just one hit in seven innings, striking out seven and walking two. Paul Quantrill finished with perfect relief.

Mariners 4, Tigers 0 In Seattle, Ken Griffey Jr. hit his 12th homer to tie for the major-league lead, and Jamie Moyer pitched a three-hitter for his fourth career shutout.

Yankees 12, Royals 6 In Kansas City, Missouri, Darryl Strawberry hit his first grand slam in four years and Andy Pettitte won his fifth consecutive decision despite a pair of Jeff King homers.

Angels 5, White Sox 3 In Anaheim, California, Damon Mashore broke a 3-3 tie in the sixth with a two-run double off Mike Sirotka to help the Angels overcome the loss of Chuck Finley to win for the eighth time in nine games.

Troy Percival got his eighth save.

# Park Pitches in With Double for L.A.

The Associated Press

Chan Ho Park, the Los Angeles pitcher, helped himself with a two-run double Sunday as the Dodgers scored five runs in the second inning in a 10-5 victory in Pittsburgh.

Todd Zeile added a three-run homer and Park pitched two-hit ball over five shutout innings as the Dodgers won their seventh in nine games and eighth in 11 games.

Jose Silva didn't retire a batter in the second, and the highlight for Pittsburgh was Turner Ward's wall-wrecking catch.

With runners on first and third and the Dodgers leading 9-0, Ward crashed so hard into a lightly padded section of the fence that he separated a section of it and tumbled into the area behind the wall.

Ward bruised his right arm making the catch and left the game. Zeile, who was 2-for-5 with three runs batted in, doubled ahead of singles by Raul Mondesi and Matt Luke and Todd Hollandsworth's walk. After Jose Vizcaino's run-scoring single, Park—a .286 hitter—sharply lined a two-run double to right.

Mets 5, Rockies 2 In New York, John Olerud's sacrifice fly scored the go-ahead run after two errors by Colorado's infield set up New York's four-run eighth inning, helping the Mets snap a six-game losing streak.

The Rockies' infield committed three errors in the eighth, allowing the Mets to score four unearned runs.

Vinny Castilla hit his major league leading 13th homer in the ninth.

Marlins 1, Padres 0 Jesus Sanchez, a rookie pitcher, gained his first career victory as Marlins beat San Diego for a split of their four-game series in Miami.

Sanchez, acquired from the Mets during the offseason as part of the Al Leiter trade, made his third career start and allowed four hits in six innings. He struck out seven and walked four.

Florida got its run in the second when Jim Eisenreich singled, took third on Charles Johnson's single and scored on Craig Counsell's groundout.

Expos 4, Diamondbacks 1 In Montreal, Dustin Hermanson pitched a two-hitter and Vladimir Guerrero homered for the third straight game as

the Expos handed Arizona its sixth consecutive loss.

Hermanson pitched his first complete game of the year and the second of his career. The right-hander retired the final 13 batters and faced just three batters more than the minimum.

The Expos scored three runs with two outs in the sixth. Guerrero hit a two-run homer off Arizona starter Willie Blair

### NL ROUNDOUP

(0-6) to give Montreal a 3-1 lead. After Brad Fullmer doubled and Shane Andrews walked, Chris Widger singled home the Expos' fourth run.

In games played Saturday:

Rockies 7, Mets 3 Ellis Burks broke out of a slump with a grand-slam with two out in the ninth inning as the Colorado Rockies handed the New York Mets their sixth straight loss, 7-3.

Castilla, Larry Walker and Neifi Perez also homered for the Rockies on Saturday night.

For Burks, stuck in a 1-for-19 skid, it was his ninth career slam.

Todd Helton opened the ninth with his first hit in 12 at-bats against a left-hander this year, a double off Dennis Cook. A pinch-hitter, Kirt Manwaring, then walked. Greg McMichael relieved and walked another pinch-hitter, John Vander Wal, to load the bases, and Mike Lansing struck out. Burks followed by slicing a drive over the fence in right-center field for his ninth home run.

Reds 3, Brewers 5 In Milwaukee, Lenny Harris's pinch-hit run-scoring single off Chad Fox in the eighth inning broke a tie and lifted Cincinnati to victory. Barry Larkin started the winning rally with a one-out single to left that snapped a career-worst 0-for-30 slump. Larkin took third on Jon Nunnally's single and scored when Harris bounced an 0-2 pitch past Fox up the middle for a 6-5 Reds lead.

Cubs 4, Cardinals 3 Sammy Sosa doubled in Mark Grace with two outs in the 11th inning to give host Chicago the victory. Grace singled with two outs off Kent Bottenfield and Sosa doubled into the gap over the head of the leftfielder, John Mabry. Grace barreled over the catcher, Eli Marrero, to beat the relay to the plate.

The Cardinals' Mark McGwire, who has 399 career home runs, went 0-for-1 and walked four times, twice intentionally, to raise his major-league-leading total to 34 walks.

Brewers 4, Giants 3 In Atlanta, Michael Tucker homered twice and Keith Lockhart hit a run scoring single off Robb Nen with two out in the ninth.

Atlanta has won five straight, nine of 11 and 14 of 17. San Francisco has lost three straight overall and 14 of 17 against the Braves.

Astros 4, Phillies 1 In Philadelphia, Mike Hampton (5-0) allowed one run and seven hits in 7½ innings to win for the 17th time in his last 20 decisions and become the NL's first five-game winner this year. Houston has won 12 of 14.

Curt Schilling gave up two runs—one earned—and five hits in seven innings. He struck out 13 and walked one. Schilling, the major-league strikeout leader with 78, fanned 11 of his last 17. He has struck out 10 or more in five of seven starts.

Padres 9, Marlins 7 Wally Joyner had three hits, including one that fractured the right wrist of Florida's starter, Eric Ludwick, in the third inning. Visiting San Diego took an 8-2 lead and hung on to win for the sixth time in seven games. Ludwick is to be sidelined for two to three months.

Joey Hamilton allowed five runs and eight hits in five-plus innings and Trevor Hoffman got three outs for his eighth save in eight chances.

Dodgers 5, Pirates 4 Roger Cedeno's two-run single and some sloppy Pittsburgh defense helped visiting Los Angeles open a 5-0 lead.

Ramon Martinez allowed four runs—three earned—and eight hits in eight-plus innings, and Scott Radnsky got three outs for his fifth save. Catcher Mike Piazza threw out Lou Collier trying to steal second to end the game.

Expos 5, Diamondbacks 4 In Montreal, Ryan McGuire hit a run-scoring single off Russ Springer in the 12th, sending Arizona to its fifth consecutive loss.

Shayne Bennett pitched a hitless 12th for the Expos, who fell behind on Travis Lee's 10th-inning homer off Steve Kline but retied the game on a single by Scott Livingston and a pair of wild pitches by Felix Rodriguez.

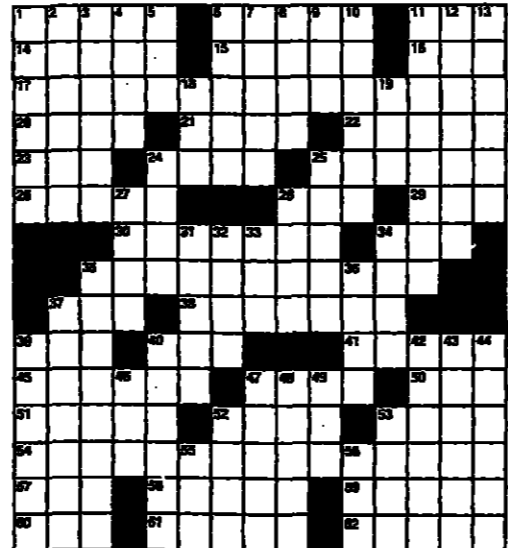
# CROSSWORD

### ACROSS

- 1 Top monk
- 5 Indian prince
- 11 Come together
- 12 Mail delivery's "no, maybe"
- 15 Muse of love poetry
- 16 12 months, in Monterey
- 17 Marina-Barbera cartoon character
- 19 Encourage
- 21 Massages
- 22 "Odyssey," sorcerer's
- 23 Somewhat: Suffix
- 24 Roosters' mates
- 25 Slaves
- 26 Aquarium fish
- 28 Defigure
- 29 — offensive (Vietnam War event)
- 30 Delphic utterances
- 34 Word before "of nails" or "of roses"
- 35 Agent noted for Oscar night bashes
- 37 School transportation
- 38 Son of Agamemnon
- 39 Needlefish
- 40 "Poetics"
- 41 Film units
- 43 Think highly of

### DOWN

- 1 Find not guilty
- 2 European stock exchange
- 3 Bristly
- 4 "— bitten"
- 5 "Nick at Nite"
- 6 Disapproval
- 7 Many
- 8 Sound of midwesterners
- 9 1975 shark blockbuster
- 10 Banking convenience, for short
- 11 Strangler
- 12 Passed, as laws
- 13 Bottommost
- 14 Rap's Dr. —
- 15 Old Dodge
- 16 great Hodge
- 17 Mita
- 18 Attacks
- 19 Sculls
- 20 —, "Diner, on "Alice"
- 21 Ere
- 22 Middle: Abbr.
- 23 Burning substance
- 24 Corner of a diamond
- 25 Conjectures
- 26 Worst possible test score
- 27 South Dakota geographical feature
- 28 Elastician on a film set
- 29 Silver-colored
- 30 Inventor of Marlo Park
- 31 Poe's "rare and radiant resident"
- 32 Shakespearean verse
- 33 Abbr. on a bank statement
- 34 Tastes and grates
- 35 Wide-eyed
- 36 Game official
- 37 Nervously irritable
- 38 Sheet of ice



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**WORLD ROUNDUP**

# Arsenal Tops Everton To Take League Title

**Klinsmann Scores 4 Goals for Tottenham**

Compiled by Our Staff From Dispatches

Arsenal beat Everton, 4-0, on Sunday to clinch the English Premier League title.

Arsenal took the lead in the sixth minute when the Everton defender Slaven Bilic put the ball in his own net. Marc Overmars twice outran the Everton defense and scored with left-footed shots. Tony Adams got the final goal in the closing minutes.

Arsenal leads Manchester United by seven points. Each team has two games to play.

Arsene Wenger, a Frenchman who went to Arsenal in 1996, became the first coach from outside the British Isles

Kaiserlautern wins title, Page 22

to lead a team to the English league title. He was criticized in the English media until recently, principally on the grounds that he is a foreigner who speaks English with an accent and looks like a humorless college professor.

Wenger has added a series of non-British players to the Arsenal squad but he has also persevered with the club's English back four who played on the club's championship teams in 1989 and 1991. The team is unbeaten in the league since Dec. 13. In its last 14 league games it has conceded only two goals.

Everton meanwhile, is 18th in the 20-team division.

On Saturday, Jurgen Klinsmann completed a double mission with four goals as Tottenham won, 6-2, at Wimbledon. He returned to Tottenham in January to help save the club from the danger of relegation to a lower division and to revive his flagging chances of starting for Germany in the World Cup.

Before Saturday he had scored four times for Tottenham. His first goal evened the score at 2-2 just before half-time. He scored the next three in 11

minutes in the second half after Ben Thatcher, a Wimbledon defender, was sent off for a dangerous tackle.

Klinsmann said after the game that he would not return to the Spurs next season, hinting that he had had a falling out with Christian Gross, the Swiss coach who also joined the club in midseason. Gross, too, has been criticized in the English media principally on the grounds that he is a foreigner who speaks English with an accent and looks like a humorless college professor.

Crystal Palace lost, 3-2, at Bolton and Barnsley lost, 1-0, at Leicester. Neither can escape the bottom three places in the and will be demoted next season. Bolton needs to match Everton's result next weekend to stay in the Premier League and push Everton down.

Middlesbrough and Nottingham Forest will replace Palace and Barnsley next season. Forest had already garnered first place in the first division. Middlesbrough clinched second in the final round of matches Sunday. It beat visiting Oxford United, 4-1, to finish one point ahead of Sunderland which won, 2-1, at Swindon. Sunderland will go into a four-team playoff with Charlton, Ipswich Town and Sheffield United to determine which is elevated to the Premier League.

Manchester City, twice the English league champion, was relegated to the second division despite winning, 5-2, at Stoke City. Stoke and Reading will also both go down to the second division.

Italy's Calm returned to the Italian league Sunday as the leader, Juventus, and second-place Inter Milan both played to goalless draws. When the two teams met last Sunday, Juventus won, 1-0, sparking a week of angry debates. Juve rarely threatened to score as it drew at Vicenza, but Inter twice hit the post against Piacenza in Milan. Juventus leads by four points with two games left.

Udinese, Parma and Roma made sure



Marc Overmars shooting his 2d goal for Arsenal as he outpaced Dave Watson, left, and Michael Ball of Everton.

of gaining places in the UEFA Cup competition next season.

Oliver Bierhoff, another candidate to lead Germany's aging attack in the World Cup, followed Klinsmann's four goals with two as Udinese beat last-place Napoli, 3-1. Bierhoff is the leading scorer in Serie A with 25 goals.

Parma drew, 2-2, with Sampdoria of Genoa, and Roma routed AC Milan 5-0 as Luigi Di Biagio scored two goals.

Fiorentina stayed on track for Italy's fourth UEFA berth by thrashing Brescia, 5-1, with two goals from Gabriel Batistuta. Brescia fired its coach, Paolo Ferrario, hours before the game.

SCOTLAND Celtic could only draw 1-1 at Dunfermline on Sunday, so the race for the Scottish title will go to the final day of the season.

Rangers lost, 1-0, at home to Kilmarnock on Saturday, but Celtic missed a chance to clinch the title. It leads Rangers by two points with one match left. Simon Donnelly put Celtic into the lead after 35 minutes but with seven minutes to go Craig Faulconbridge, a substitute, pulled Dunfermline even.

SPAIN Juninho, the Brazilian midfielder, returned Sunday after three months out with a broken leg as Atletico Madrid lost, 2-1, in Mallorca. Athletic Bilbao beat Oviedo, 3-0, to take second place behind Real Madrid (AP, IHT, Reuters)

## Fashanu Found Dead

Justin Fashanu, a former English soccer star who was wanted in the United States on charges of sexually assaulting a teenager in Maryland, was found dead

Sunday in a garage in east London, according to the police. The Associated Press reported from London.

Police sources said it appeared that Fashanu committed suicide by hanging.

Fashanu had been a promising center forward who was transferred from Norwich City to Nottingham Forest, one of the top clubs in Europe at the time, for \$1.67 million in 1981.

However, a knee injury kept him out of the game for six years in the 1980s, and he became better known for admitting he was gay in 1990.

He was the brother of John Fashanu, England's former striker.

The police in Maryland said Wednesday they were hunting the 37-year-old after charging him with sexual assault.



Enqvist returning to Agassi in the final Sunday in Munich.

## Hingis Wins on Clay

TENNIS Martina Hingis beat Jana Novotna, 6-3, 7-5, on Sunday in the final of the German Grand Prix in Hamburg. It was her first title on European red clay.

Hingis, who trailed 4-2 in the second set, rallied to level the score but needed four match points to close the match.

Thomas Enqvist came from behind Sunday to beat Andre Agassi, 6-7 (4-7), 7-6 (8-6), 6-3, in the final of the BMW Open in Munich.

Fernando Meligeni of Brazil won his first ATP tour title in two years, beating home-crowd favorite Slava Dosedel 6-1, 6-4 in the finals of the Czech Open men's clay-court tournament in Prague. (AP)

## Boxer Critically Injured

BOXING Spencer Oliver, a British boxer, was in critical but stable condition Sunday after undergoing brain surgery in London following his knockout in a European bantamweight title defense, local media said.

Oliver, 22, was floored by a right to the head from Sergei Devako, a Ukrainian, in the 10th round of his fourth title defense Saturday night. He was carried unconscious from the ring and taken to a hospital. (AP, Reuters)

## Swede Wins in Italy

GOLF Patrick Sjolund of Sweden shot a 6-under-par closing round of 66 Sunday to win the Italian Open in Milan by three strokes for his first European PGA victory.

Sjolund led from start to finish at the rain-shortened event and wound up with a 54-hole aggregate of 195, 21-under-par.

Jose Maria Olazabal and Joakim Haeggman tied for second at 18 under. Olazabal, who lost by a stroke to Thomas Bjorn at last week's Spanish Open, carded a final-round 65 Sunday, while Haeggman shot a 63.

Bjorn, the overnight leader, shot a final round of 68 and finished fourth. (AP)

# Knicks Get Their Revenge, Eliminating the Cold Heat, 98-81

MIAMI — The New York Knicks knocked the Miami Heat out of the playoffs with a 98-81 victory in Game 5 of their first-round series on Sunday.

For the Knicks, it was sweet revenge for the disastrous ending to their 1996-97 season at the hands of the same team in the same building. In that game, New York was missing the services of its star center, Patrick Ewing, and other key players who had been suspended for leaving their bench area in a Game 5 brawl at Madison Square Garden.

But this year's Knicks — again without the services of Ewing, who has been injured for months — accomplished exactly what they set out to do. And now they're in the second round against the Indiana Pacers.

The victory made easier by the absence of Miami's Alonzo Mourning, who was suspended along with Larry Johnson and Chris Mills of the Knicks for a fight at the end of Game 4. But it was no walkover, either.

New York led by 20 points, but Miami fought back with a 21-3 run to cut the gap to two points with 7:16 remaining. The Knicks answered with a 19-7 run that left Heat fans heading to the exits before the clock even ticked inside two minutes.

Allan Houston scored 30 points, John Starks scored 22, Charles Oakley had 18 and Charlie Ward hit a crucial 3-point shot that killed Miami's rally. Ward also had 14 assists and five steals, and Buck Williams had 12 points and 14 rebounds as New York took advantage of Mourning's absence to dominate inside.

Tim Hardaway led Miami with 21 points, but he was not a factor for long stretches. The Heat were outbounded, 43-34.

This game was a little tamer than Games 1 through 4 in the series. There was only one flagrant foul, one technical foul and none of the spit-throat gesturing and fistcliffs. When it ended, Hardaway even sought out a few of the Knicks to offer a congratulatory handshake.

This was the first time in NBA history that a

seventh-seeded Eastern Conference team beat a No. 2 seed. It has happened three times in the West.

The Heat had taken early leads in the first four games, but this time the Knicks came out hot. Starks hit his first two shots, Oakley made his first three jumpers and the Knicks dashed to a 20-15 lead. They led, 47-31, at halftime.

In a game played Saturday, the Los Angeles Times reported:

SuperSonics 97, Timberwolves 84 The fairy-tale Minnesota Timberwolves chased the veteran SuperSonics into the second half of Game 5 in Seattle before their carriage turned into a pumpkin.

The Timberwolves hit 10 of 15 three-point shots in the first half and led by 11 as the Ghost of SuperSonics Playoffs Past fluttered into memory.

George Karl, coach of the SuperSonics, told his team at halftime: "I'm almost certain they're gonna start missing, so get the rebounds."

In the second half, Anthony Peeler and Terry Porter did start missing, going one for 10 on 3-

point shots while the Timberwolves franchise players turned back into children.

Kevin Garnett, who made three of six shots in the first half, went 0-for-5 in the second with eight turnovers. Stephon Marbury, who spent the series inside the lane collapsing the SuperSonics defense, went 1-for-8 in the second half. When the SuperSonics took their first double-figure lead, with 8:44 left, the Timberwolves had scored only 19 points in the second half.

"I'm gonna go down with a fight," Marbury said of his late flings. "I learned something, though. I learned you got to be patient on every play. We started rushing our shots. We started forcing things, taking ill-advised shots."

With Vin Baker paralyzed by double-teams, Gary Payton saved Seattle. Payton had 10 of their 44 points, 3 of their 11 assists and 3 of their 5 steals by halftime.

Payton played all 48 minutes — during which he scored 29 points, with four assists and four steals — to make sure.

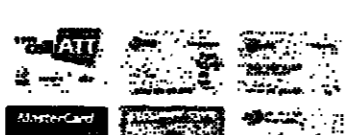


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صلى الله عليه وسلم

# Jakarta Couples Price Rises With Unrest Warning

Food and Power Costs Too Up  
UNF Prepares to Release \$1 Billion From Rescue Funds

Jakarta, Indonesia — The price of rice and other staples in Jakarta has risen sharply in recent days, fueling fears of a food crisis and prompting the United Nations to prepare to release \$1 billion from its emergency relief funds.

The price of rice, the staple food, has risen by more than 50 percent in the past week, according to local officials. The price of other staples, such as sugar and oil, has also risen sharply.

The United Nations has warned that the situation in Jakarta is "very serious" and that the price of rice could rise even further if the current trend continues. The UN has offered to release \$1 billion from its emergency relief funds to help pay for the cost of food and other necessities.

The UN has also warned that the situation in Jakarta could lead to a full-scale famine if the current trend continues. The UN has urged the Indonesian government to take immediate action to stabilize the price of rice and other staples.

# Clinton Under Pressure

As U.S. officials... Clinton Under Pressure

# No Breakthrough S In Mideast Peace Efforts

Clinton Adds a Second Round in Lebanon

Clinton Adds a Second Round in Lebanon

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